

**The Impact of Chinese Cultural Values on Human Resource Policies  
and Practices Within Transnational Corporations in China**

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## ABSTRACT

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This thesis focuses on key cross-cultural issues that transnational corporations (TNCs) face when formulating and implementing Human Resource (HR) policies and practices in their Chinese affiliates. The aim of this study is two-fold. The first is to investigate how employees perceive HR policies and practices that have been transferred from parent enterprises of TNCs, and the second is to explore the extent to which Chinese cultural values influence these HR policies and practices. These aims are addressed through an exploratory research design using in-depth qualitative interviews with seventy-six participants across twenty-one Western TNCs and two Chinese state-owned enterprises in China. By presenting the differences between the HR policies and practices with Western TNCs and Chinese companies, the distinctive Chinese cultural values can be interpreted against a more holistic background. This study contributes to international human resource management (IHRM) literature by empirically investigating the perceptions and views of both managerial and non-managerial employees on HR policies and practices within the participating companies. This study explores the contemporary Chinese cultural values and examines how these cultural values exert influence on the HR policies and practices. The findings of this study demonstrate a variation between global HR policies and practices of TNCs and their implementation at the local level. Moreover, the researcher finds that there are three national cultural values with Chinese characteristics which can affect HR policies and practices within TNCs in China; these are: *guan-xi*, *valuing seniority*, and the importance of the '*human factor*'. It is indicated that Chinese cultural values are far more sophisticated than the ones conceptualised in previous literature, as these three cultural values appear to be interlinked and be embedded within the Chinese culture of collectivism. More importantly, the study shows that these deeply embedded cultural values can not be easily 'ironed-out' by organisational culture and global HR policies and practices of TNCs. Therefore, it is argued that TNCs need to acknowledge cross-cultural differences and consider these Chinese cultural values when implementing their global HR policies and practices in China. Organisational and managerial commitment to such an approach would require conscious steps to be taken towards adopting a closely monitored HR implementation process and more inclusive HR policies and practices, rather than expecting Chinese employees to accept and adopt the global HR policies and practices which may be against their cultural values and norms.

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## **LIST OF ABBREVIATIONS**

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CNOOC	China National Offshore Oil Corporation
CNPC	China National Petroleum Corporation
FESCO	Beijing Foreign Enterprise Human Resources Service Co. Ltd.
FDI	Foreign Direct Investment
HR/HRM	Human Resource Management
IHRM	International Human Resource Management
SIHRM	Strategic International Human Resource Management
SINOPEC	China Petrochemical Corporation
SOEs	State-Owned Enterprises
TNCs	Transnational Corporations
UNCTAD	United Nations Conference on Trade and Development
UNCTC	United Nations Centre on Transnational Corporations
WTO	World Trade Organisation

# CHAPTER ONE

## INTRODUCTION

### 1.1 The rationale of the research

In the global market arena, the challenges for transnational corporations (TNCs) are multifaceted, and so is the function of their Human Resource Management (HRM). Clark and Pugh (1998) contended that the HRM concept which has been rooted in Anglo-American culture has not been evenly accepted and implemented in European countries. Their study indicated that a certain amount of local interpretation and modification of HR policies and practices would be needed when transferring them from one country to another. Tayeb (2003) also argued that there are likely to be differences in how HR policies and practices are implemented by TNCs in host countries as compared with their home countries' settings. Meanwhile, in Asia, with an increasing number of TNCs managing operations, different HR policies and practices are introduced (Rowley *et al.* 2004; Zhu *et al.* 2007). This study focuses on HR policies and practices within TNCs in the Chinese context.

The study of TNCs' HR policies and practices in China has attracted wide attention from academic researchers around the world (e.g. Child 1994; Lu and Björkman 1997; Goodall and Warner 1998; Björkman and Lu 1999; Weldon and Vanhoner 1999; Björkman and Fan 2002; Braun and Warner 2002; Gamble 2000, 2003, 2006, 2010; Cooke 2004, 2005; Zhu *et al.* 2005, 2008; Warner 2008; Gamble and Huang 2008, 2009; Warner 2009; Zou and Lansbury 2009). Numerous TNCs have been trying to work out their current and future HRM strategies regarding their operations in China. Cooke (2004) emphasised that TNCs in China operate in a very complex environment and that a more nuanced approach is required in order to gain a more measured understanding of their adoption on HR policies and practices. Moreover, questions regarding HRM within TNCs in China, such as, how successfully parent enterprises of TNCs transfer their global HR policies and practices to their Chinese affiliates (Warner *et al.* 2005), and how local Chinese employees perceive these policies and practices (Cooke 2005), are addressed by scholars.

As Tayeb (2003) contended, instead of investigating what kind of HR policies and practices are adopted in TNCs, the applicability of these policies and practices need to be examined in a broader international and socio-cultural context. The existing literature

on transferring HR policies and practices from TNCs' parent enterprises to their Chinese affiliates supports the assumption of cross-cultural differences in international HRM (IHRM). For example, Child (1994) found that the implementation of reward management and staffing policies is easier to achieve than the implementation of performance appraisal and career development policies in the participating enterprises. Child assumed that the reason for having a different success rate of HR policies, is that the performance appraisal and career development policies, which are commonly used by Western business partners, cause conflict with the collective culture in China. In addition, Lu and Björkman's (1997) research showed that the staffing and training in the foreign invested enterprises in China seem to be less culture-bound than the career development, performance appraisal and reward management policies. Although there are minor differences among the findings from HR scholars, Braun and Warner's (2002) research indicated that High Performance HRM practices can be harmoniously introduced in foreign invested enterprises in China. Moreover, Björkman and Fan (2002) found that the HRM strategies from parent enterprises of foreign invested enterprises have a positive effect on their Chinese affiliates' overall performance.

However, it is worth noting that the findings above were based on the perceptions and views of senior HR managers' and/or management members, which has been the case with the majority of research regarding HRM within TNCs in China. Although Cooke's (2004) study engaged some Chinese local government officials and non-managerial staff, the voices of non-managerial employees in the HRM academic field are typically absent in the relevant literature.

The research of Gamble (2006), Lee (1998, 1999, 2007a, 2007b), and Gamble and Huang (2009) are exceptional. For example, Lee's (1998, 1999, 2007a, 2007b) work mainly focused on employee and social relations in China by engaging frontline workers in Chinese factories. Adopting both quantitative and qualitative approaches, Gamble and his colleagues' research samples included employees of all levels of the hierarchy in a wholly-owned British TNC in China. Gamble and Huang (2009) examined Chinese employees' perceptions on hierarchy, employee consultation, job security, etc. They touched on the impact of Chinese hierarchical culture on organisational hierarchy in the participating company. However, hierarchical or the high power distance is only one of the elements of Chinese cultural values. Indeed, it is

argued in this thesis that as understanding and explanation of the impact of Chinese cultural values on HR policies and practices with TNCs in China is still rudimentary and scanty.

In an attempt to address the aforementioned gaps, a key purpose of this study is to contribute to IHRM and Cross-cultural Management literature by empirically investigating the perceptions and views of employees on HR policies and practices within TNCs in China. In this manner, the extent to which Chinese cultural values exert influence on these HR policies and practices is to be explored. This study also attempts to examine whether HR policies and practices within TNCs would be aligned with global policies and practices in their parent enterprises. Due to Chinese employees' cultural values, the implementation of these policies and practices could be different from what the parent enterprises have developed, and this is investigated in this research.

## **1.2 Research aim and questions**

The aim of this study is two-fold. The first is to investigate how employees perceive HR policies and practices that have been transferred from parent enterprises of TNCs to their Chinese affiliates. The second aim is to explore the extent to which Chinese cultural values influence these policies and practices.

The purpose of this study is not to place Chinese cultural values in cultural dimension boxes (e.g. Hofstede 1981, 2001; Hall and Hall 1990; Trompenaars and Hampden-Turnce 2004; House *et al.* 2006) classifying them according to chosen dimensions, or predefined Chinese cultural roots. Rather, the main aim of this study is to explore contemporary Chinese cultural values and their impact on HR policies and practices within TNCs in China. The research questions, therefore, are outlined as follows:

- How do employees perceive HR policies and practices that have been transferred from parent enterprises of TNCs to their Chinese affiliates?
- Which Chinese cultural values are perceived as key factors for TNCs in China?
- How do cultural values of employees influence these policies and practices?

This thesis is concerned with the way in which Chinese cultural values, represented by the work-values of the participants, affects the implementation of HR policies and

practices in their companies. It is argued that the appropriate understanding of a host country's culture is important for TNCs that are engaged in business operations and in the course of developing business. Thus, this thesis intends to provide a better understanding of Chinese cultural values which exist in perceiving and implementing HR policies and practices in the participating companies.

### **1.3 Research methodology**

The research questions of the thesis are addressed through an exploratory research design using in-depth qualitative interviews with 76 participants across 21 Western wholly-owned TNCs and two Chinese state-owned enterprises in China.

In order to elicit and explore the impact of Chinese cultural values on HR policies and practices within the participating companies, semi-structured interviews with a range of HR professionals, senior and middle management members, and employees in non-managerial positions have conducted. Among the participating companies, 12 of them were listed in the 2010 Fortune Global 500 list (Fortune 2010). All the participating companies are in the oil and gas industry and the Western TNCs originate from Anglo-American and European countries. The reasons for targeting these companies are the fact that these companies are global in operation and are likely to have more advanced and well-defined HRM systems.

All the participants were approached through the researcher's personal network with a snowball sampling strategy. Emails were sent to the personal network, inviting professionals in the oil and gas industry to take part in this study. The risk of snowball sampling bias as a result of participants being selected according to the participants' availability is recognised. However, in order to gain a sufficient research sample, this was deemed to be the most feasible methodology.

The interviews lasted between 45-100 minutes. 23 of the interviews were conducted face-to-face by the researcher in Beijing between February and April 2008. The other 53 interviews were conducted by telephone in the UK by the researcher over the period of April to November 2008. 63 interviews were digitally audio-recorded. 13 interviews were not recorded, as those participants did not feel comfortable having the interviews recorded. Therefore, research notes were taken for those 13 interviews.

#### **1.4 Structure of the thesis**

The structure of the thesis ahead is as follows. Chapter Two outlines various theoretical and practical HRM issues and discusses these issues from the TNCs' perspective. The internationalisation of TNCs, existing IHRM concepts and frameworks, and HR functions in TNCs, are addressed. Among various factors which can influence HR policies and practices within TNCs, national cultural factors are highlighted, as national cultural factors are a main focus of this thesis. The Chapter concentrates on national culture and its influence on HR policies and practices. Moreover, the agency, structure and culture framework which is adopted to analyse the impact of national culture on IHRM is also discussed.

Chapter Three builds on the previous Chapter and examines the impact of national culture on HR policies and practices in the Chinese context. China has deeply embedded values that influence the ways in which Chinese people perceive and think about the world as well as the ways in which they behave within the world. The pervasive Chinese cultural values, such as Confucianism and *guan-xi*, are discussed in this Chapter. The HRM systems and principles in the Chinese context, and the impact of Chinese cultural values on the systems and principles are presented. A further aim of the Chapter is to provide the context for discussing the impact of Chinese cultural values on HR policies and practices within TNCs in China.

Chapter Four moves on to discuss the epistemological and ontological assumptions underpinning this thesis, and also explains the rationale of adopting the qualitative research tool to examine the aims of the research. A discussion of research paradigms in the Business Management field, with particular emphasis on the constructionism paradigm in IHRM, is presented. This Chapter also addresses the importance of the reflexivity of researcher in qualitative research.

Chapter Five presents an overview of the relevant background for the fieldwork, such as the context of the Chinese oil and gas market. Background information of the participating companies is also provided, but in a manner that protects the identities of each participating companies. The purpose of this Chapter is to present the context for the interpretation and discussion of participants' perceptions and views in Chapter Six and Seven.



Chapter Six focuses on the existing cross-cultural issues and Chinese cultural values in the participating companies. The aim of this Chapter is to set up a cultural context for presenting and discussing the findings regarding the impact of Chinese cultural values on HR policies and practices in TNCs in Chapter Seven. The perceptions and views from the participants in the Chinese state-owned enterprises are included in this thesis in order to present a holistic picture of Chinese cultural values in such settings. Three key cultural themes emerged from the interviews with the employees in the participating companies; *guan-xi*, valuing seniority, and the importance of the ‘*human factor*’.

Chapter Seven interprets the findings from Chapter Six in relation to the emerged cultural themes. The aim of this Chapter is to investigate the HR policies and practices in the participating companies, and to examine the extent to which Chinese cultural values influence these HR policies and practices. This Chapter starts with a discussion of the transfer of HR policies and practices from the parent enterprises of TNCs to their affiliates in China. Three HRM transfer approaches that the companies adopted, and the reasons for choosing different HRM transfer strategies, are discussed. This is followed by reviews on four main HR functions, namely, staffing, performance appraisal, training and development, and reward management in the participating companies. Meanwhile, the impact of the three aforementioned Chinese cultural values on these HR policies and practices are also analysed and discussed.

Chapter Eight presents a discussion of the study findings in the context of literature. It elaborates on key issues in relation to the Chinese cultural values that emerged from Chapter Six and Seven, and highlights their impact on HR policies and practices within the participating companies. The findings of this research indicated that the three cultural values are associated with the Chinese collectivistic culture and seem to be visible and followed by most Chinese employees in TNCs. Although the employees in TNCs have been given the standardised training regarding organisational cultures and global HR policies and practices, some of these policies and practices are still conducted in a different manner than the central HRM of TNCs intended due to the influence of Chinese cultural values. The theoretical dimensions, managerial implications, and the limitations and future agenda of this research are also discussed in the final Chapter.

## **CHAPTER TWO**

# **INTERNATIONAL HUMAN RESOURCE MANAGEMENT AND CROSS-CULTURAL MANAGEMENT**

### **2.1 Introduction**

Following an overview of this study in Chapter One, the aim of this Chapter is to discuss IHRM and cross-cultural management literature, and the significant role that national culture plays in shaping HR policies and practices within TNCs. Within the discussion of IHRM in Section 2.2, the internationalisation of TNCs is outlined. Then the existing IHRM concepts and frameworks, IHRM functions, and convergent and divergent trends in IHRM in TNCs, are also addressed. Definitions of national culture and cultural dimensions are elaborated in Section 2.3. The impact of national culture on IHRM is discussed in Section 2.4. The theoretical framework which is used to theorise the impact of national culture on IHRM is discussed in Section 2.5.

### **2.2 International Human Resource Management**

The section begins by defining internationalised companies, as the definition of these companies is often taken for granted in the academic field of Management. Then the IHRM concepts and frameworks, IHRM functions, and convergent and divergent internationalisation trends are discussed. The purpose of this section is to draw out the international dimension of HRM in order to provide a meaningful context for the thesis.

#### ***2.2.1 Internationalisation of companies***

According to Bartlett and Ghoshal (1989, 1998), internationalised companies have very different strategic positions, organisational structures, and management processes. Bartlett and Ghoshal (1989, 1998) argued that the traditional operational approaches of multinational, global, and international corporations could no longer yield an adequate response to companies' trend of internationalisation. They pointed out the importance of the development of transnational corporations and compared the organisational characteristics of TNCs with multinational, global and international corporations (see Table 2.1)

<b>Organisational characteristics</b>	<b>Multinational</b>	<b>Global</b>	<b>International</b>	<b>Transnational</b>
<b>Role of overseas affiliates</b>	Exploring local opportunities	Leveraging parent enterprises' competencies	Implementing parent enterprises' strategies	Differentiated contributions by national units to integrated worldwide operations
<b>Affiliates' relationship with parent enterprises</b>	Independent units	Pipes to unify global market	Appendages	Coordinator and co-operator
<b>Decision-making and resources configuration</b>	Decentralised and locally self-sufficient	Centralised core competencies and strategies	Centralised and globally scaled	Dispersed, interdependent and specialised
<b>Management and knowledge transfer</b>	Knowledge developed and retained within each unit	Knowledge developed at parent enterprises and transferred to overseas affiliates	Knowledge developed and retained at parent enterprises	Knowledge developed jointly and shared worldwide

**Table 2.1 The characteristics of internationalised corporations (adapted from Bartlett and Ghoshal 1989, 1998)**

For example, *multinational corporations* develop a strategic posture that allows them to explore local resources in national environments around the world. The parent enterprises of multinational corporations decentralise their organisational control on their affiliates so that the affiliates operate independently and develop their own local advantages and assets. In contrast, *global corporations* are more driven by a unitary world market and are centralised in their global operational strategies. The parent enterprises of global corporations treat their affiliates as an integrated whole and transfer all resources and knowledge to the affiliates. The strategy of *international corporations* is in the middle of the first two kinds of corporations; the parent enterprises of international corporations consider their affiliates as the extension of using the parent knowledge or expertise to meet the needs of overseas local markets, rather than independent units or transferring channels. The operational control and resources of international corporations are centralised at corporate headquarters.

In essence, these three organisational models all centralise their knowledge and strategies, either in their parent enterprises, or in their affiliates. The centralisation of resources allows these companies to be very competitive in their business operations at relatively high efficiency and low cost (Bartlett and Ghoshal 1998). However, the parent enterprises of these companies may fail to have a better understanding of different national needs, and their affiliates may lack adequate and consolidated operational, or technical, or financial support from their parent enterprises (Adler and Gundersen 2008).

Bartlett and Ghoshal's (1989) study is not the first one to propose the idea of TNCs. Yet, these two researchers were the first to elaborate the development and management philosophies of TNCs. As can be viewed in Table 2.1, TNCs consider the importance of both central strategies and local responsiveness, and seek operational efficiency to achieve worldwide competitiveness. The communication approaches of TNCs are multilateral processes that are involved in their parent enterprises and affiliates. The affiliates which have consolidated knowledge and local expertises act as the coordinator or co-operator of the parent enterprises. In this manner, the parent enterprises and affiliates of TNCs seem to be linked into an integrated worldwide network which enables them to maximise their operational and financial efficiency.

In addition, Adler (1991, 2001) also examined the internationalisation processes of companies, and suggested that companies might need to follow very different international HR policies and practices depending on the relevant stages of company development. These stages are identified as domestic, international, multinational and global (*Ibid*). The analytical perspectives of Adler (1991, 2001) and Bartlett and Ghoshal (1989, 1998) on the internationalised companies are different. Adler (1991, 2001) found the internationalisation of companies to be an evolutionary process; while the other two researchers considered the internationalisation of companies as different business strategies that companies could choose. Thus, these researchers defined the internationalisation of companies in a different manner. In this thesis, the term – TNC, is considered to be a business strategy that international companies adopt.

Furthermore, Dowling *et al.* (1999) and Dowling *et al.* (2008) integrated the internationalisation development process (Adler 1991, 2001) and the internationalisation models (Bartlett and Ghoshal 1989, 1998), and identified six

development stages of the internationalised companies. The stages of internationalisation are said to be export; sales subsidiary; international division; global product/area division; matrix and mixed structure; and transnational (Dowling *et al.* 1999; Dowling *et al.* 2008). *Export* was normally the first stage of internationalisation, where home enterprises start to export its finished products or service. Sales and distribution are managed by distributors or franchisees. When sales reach a certain volume, companies can establish *sales subsidiaries*, which are staffed by managers from parent enterprises and employees from local affiliates. When sales volume reaches significant levels, companies can set up an *international division* which take on more responsibilities than sales subsidiaries. These responsibilities might include production, marketing strategies or product development in overseas affiliates. The next stage, *global product/area division*, is characterised as an organisation with a strong input from its parent enterprise. In the *matrix and mixed structure*, companies attempt to integrate their operations across more than one dimension, such as geographical and product. Companies may end up with complex reporting lines and overlapping responsibilities. Once parent enterprises and their overseas affiliates integrate as one market, then the *transnational* stage is reached. TNCs would share resources on a worldwide basis to access the global market with the highest quality products at the lowest cost (Dowling *et al.* 2008).

Dowling *et al.* (1999) and Dowling *et al.* (2008) also pointed out the internal and external factors that the internationalised companies face, and the impact of these factors on the companies' strategic positions, organisational cultures and structures, and HRM approaches. For example, when the companies choose different internationalisation strategies, their organisational structures could also change, due to the nature and size of their business, the strain which can be imposed by company development and geographical expansion and by host-government regulations on ownership and equity (Dowling *et al.* 2008). Although the stages of internationalisation can be developed from *export* to *transnational*, Dowling *et al.* (1999) and Dowling *et al.* (2008) emphasised that not every company follows the exact same internationalisation process. Some companies might go through the process rapidly by mergers and acquisitions, while other companies might evolve more slowly.

Moreover, Nankervis *et al.* (2002) emphasised the difficulty in understanding internationalisation due to its various descriptions and definitions. The terms that are used for presenting the internationalised companies are blurred and inconsistent. Nowadays, in both academia and industry, the companies which have business operations in their home countries and abroad are known as ‘international companies’, ‘multinational enterprises’, ‘multinational companies’, ‘transnational companies’, and ‘global corporations’.

For example, the researcher has searched the above defined terms in two reputable HRM journals (Human Resource Management Journal and International Journal of Human Resource Management) and the results are not surprising; there are various terms which are used to represent the internationalised companies. All aforementioned terms of internationalised companies can be found in non-academic websites and publications. There is debate about the definition and implications of the internationalised companies within the IHRM field. For example, Cieri *et al.* (2007) noted that some researchers use ‘global’ to refer to ‘transnational’ matters (cf. Pucik 1997). Many researchers and practitioners can be seen to take ‘international’, ‘multinational’, ‘transnational’ and ‘global’ as synonymous words, and affix these terms with either ‘companies’, or ‘corporations’, or ‘enterprises’ to refer to internationalised companies. However, as discussed earlier, Bartlett and Ghoshal’s (1989, 1989) contended that the terms in relation to internationalised companies are conflicting.

Regarding the definition of ‘TNCs’, in fact, back in the 1980s, the United Nations had already named the companies that operate across countries as transnational corporations (TNCs). The United Nations was making efforts to monitor and analyse the development of TNCs, and to address the impact of TNCs on the world economy, notably through the United Nations Centre on Transnational Corporations (UNCTC) between 1974 and 1992 (Sauvant 2009). The UNCTC was later dismantled and the TNCs programme was transferred to the United Nations Conference on Trade and Development (UNCTAD). According to the World Investment Report (2010) and the Transnational Corporations Journal, which are published by the UNCTAD, ‘Transnational Corporations’ is the term which refers to the internationalised companies that operate in their home countries and abroad. The UNCTAD provides what appears to be a precise definition of TNCs:

*Transnational corporations (TNCs) are incorporated or unincorporated enterprises comprising parent enterprises and their foreign affiliates. A parent enterprise is defined as an enterprise that controls assets of other entities in countries other than its home country, usually by owning a certain equity capital stake. An equity capital stake of 10 per cent or more of the ordinary shares or voting power for an incorporated enterprise, or its equivalent for an unincorporated enterprise, is normally considered as a threshold for the control of assets..... A foreign affiliate is an incorporated or unincorporated enterprise in which an investor, who is resident in another economy, owns a stake that permits a lasting interest in the management of that enterprise (an equity stake of 10 per cent for an incorporated enterprise or its equivalent for an unincorporated enterprise) (UNCTAD 2010)*

Moreover, the UNCTAD emphasises that this definition is not for legal activities, but for working purposes. The definition may not be the ‘best’ explanation for internationalised companies, but it is a term which is articulated and widely used by the United Nations. Furthermore, according to the UNCTAD, the subsidiaries, associate enterprises, branches, and holding companies of TNCs in host countries, are all referred to as foreign affiliates or affiliates. The companies which are listed in the Top 50 financial TNCs and the Top 100 non-financial TNCs rankings in the World Investment Report 2010 (UNCTAD 2010), can also be found in the Global Fortune 500 (Fortune 2010). Therefore, for the purpose of consistency and become of a wider recognised and understood term - ‘Transnational Corporations (TNCs)’, is chosen to represent the contemporary internationalised corporations. The terms, ‘parent enterprises’ and ‘affiliates’, are chosen to represent TNCs in their home countries and overseas operation units respectively.

Moreover, it is worth noting that during the development process of internationalised companies, especially at the transnational stage, companies can implement four possible operational orientations; ethnocentric, polycentric, geocentric (Perlmutter 1969) and regiocentric (Heenan and Perlmutter 1979). Some researchers also label these

orientations as; exportive, adaptive (Taylor *et al.* 1996; Dowling *et al.* 1999; Dowling *et al.* 2008), 'open hybrid' and 'close hybrid' (Bird *et al.* 1998) or integrative (Taylor *et al.* 1996). The implications of these four international management orientations not only lie in TNCs' business operations, but also widely apply when TNCs develop HRM systems in affiliates (Dowling *et al.* 2008; Taylor *et al.* 1996).

For example, *ethnocentric* oriented TNCs would develop their corporate strategies from a home country perspective. There is evidence that these companies believe that what is successfully implemented at home should be equally successful implemented elsewhere (Perlmutter 1969). Therefore, there is a strong home country imprint in these companies (Edwards and Rees 2006). Staffing strategy within ethnocentric oriented TNCs is one where key positions are appointed and filled by parent enterprises' home country nationals (Perlmutter 1969). This orientation emphasises integration throughout the whole organisation. However, the negative aspect of ethnocentric orientation is its inflexibility and how this might lead to affiliates being resistant to the imposed management policies and practices from parent enterprises (Taylor *et al.* 1996; Adler 2001).

TNCs characterised by a *polycentric* strategy, tend to hold the underlying belief that each affiliate is different and unique; therefore it is too difficult to understand and manage local operation issues for parent enterprise (Perlmutter 1969). In this manner, affiliates are given a great deal of autonomy and authority reflecting local social-cultural conditions (Dowling *et al.* 2008). There is almost no transferred management policies or practices, either from parent enterprises to their affiliates or between affiliates (Taylor *et al.* 1996). The negative aspect of polycentric orientation is a lack of global standards and possibly considerable inefficiency due to multiple creations of similar policies and systems (Adler 2001).

Corporate strategy in *geocentric* oriented TNCs is both a globally integrated business approach and said to be a compromise between the extremes of ethnocentrism and polycentrism (Perlmutter 1969). TNCs treat their parent enterprises' and affiliates' strategic positions equally and are open for all potential suggestions regarding the 'best' management systems (*Ibid*). Moreover, the geocentric staffing approach can be a



method which organisation can use to recruit the best globally available talent for the both parent enterprises and affiliates (Dowling *et al.* 2008)

A *regiocentric* strategy reflects the geographic strategy and structure of TNCs, as management headquarters move from parent enterprises to particular geographic areas (Heenan and Perlmutter 1979). For example, the regional managers and employees in these TNCs may not be promoted to the key positions in parent enterprise, but may enjoy a certain degree of regional autonomy (Dowling *et al.* 2008).

These four operational orientations determine TNCs' overall business strategies to managing the tension between standardisation and local adaptation (Dowling *et al.* 2008). In other words, the purpose of these strategies is to maintain the internal and/or external operation consistency of companies (*Ibid*). Geocentric or integrative approach seems to fit the network of TNCs, since both are based on the sharing of resources and innovations across the companies (Heenan and Perlmutter 1979). The possible negative aspect is that the parent enterprises of TNCs may represent the lowest common denominator rather than developing global standards (Kostova 1999).

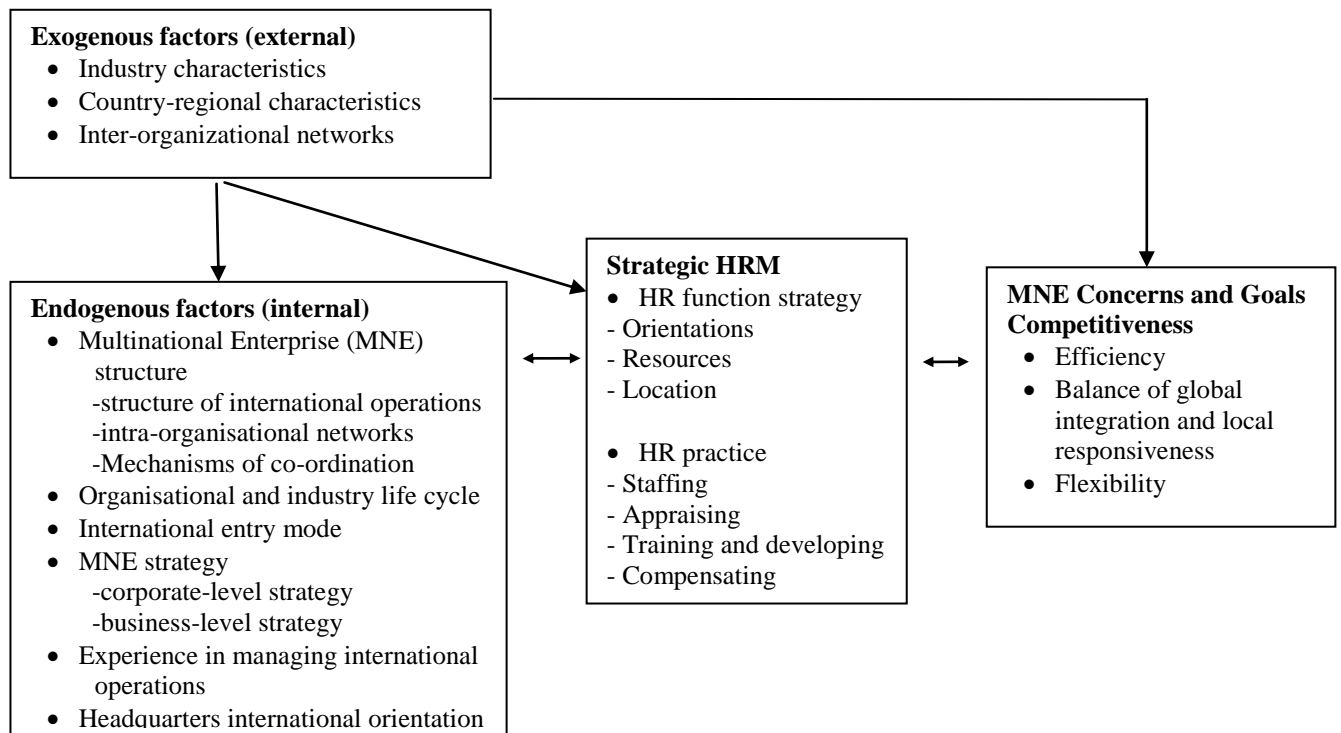
Furthermore, it is also worth noting that Gamble (2010) points out that these generic orientations – exportive, adaptive and integrative (Taylor *et al.* 1996), which TNCs can adopt in their approach to strategic IHRM in their affiliates, '*exaggerate not only the knowledge and foresight of managers and directors, but also their ability to impose their will, with limited recognition of potential host country institutional constraints and resistance to head office mandates*' (*Ibid*: 710). Gamble (2010) also emphasises the importance of firm level agency when examining the transfer of HR policies and practices from TNCs to their affiliates. Agency is also one element of the theoretical framework of this thesis, and a more detailed analysis of the framework will be discussed later on in Section 2.5.

This section has focused on the organisational context in which IHRM activities take place. The various organisation models which can be used by TNCs for foreign market operations and expansions have also been included to demonstrate HRM implications. However, Dowling *et al.* (2008) emphasised that the development stages of TNCs and their operation orientations are not the normative models, and TNCs might need to adapt their business focus and HRM systems in different conditions.

### ***2.2.2 IHRM concepts and frameworks***

This section presents an overview of the IHRM literature by discussing several IHRM models and the factors that could affect these models and frameworks. Several conceptual models seek to describe and examine how TNCs conduct HR policies and practices on a theoretical level from a strategic perspective (Adler and Ghadar 1990; Schuler *et al.* 1993; Welch 1994; Taylor *et al.* 1996; Adler 2001; Evans *et al.* 2002; Schuler *et al.* 2002; Tayeb 2005; Schuler and Tarique 2007).

Schuler *et al.* (1993) integrated previous theoretical and empirical work in IHRM and addressed that external factors were national, cultural and legal conditions in a country, as well as industry and environment in which TNCs were active. It is argued that industry effects played a subordinate role to national culture when transferring HR policies and practices from parent enterprises to affiliates of TNCs (*Ibid*). Internal factors, such as the stages of the internationalisation processes of TNCs and its effect on TNCs' HR policies and practices, as well as the structure and the strategy of TNCs, were also discussed by Schuler *et al.* (1993). Meanwhile, Schuler and his colleagues were aware that the SIHRM framework was encompassing, therefore they pointed out that future research which would be based on the SIHRM framework did not need to limit itself to the selected factors, but a whole set of multi-disciplinary factors (*Ibid*). Commenting on the emerging body of research on SIHRM, Cieri and Dowling (1999) proposed a revised framework of SIHRM (see Figure 2.1).



**Figure 2.1 Integrative Framework of SIHRM (Cieri and Dowling 1999)**

As depicted in Figure 2.1, TNCs operate in a global context, including the external factors of industry, nation and regional characteristics, and inter-organisational networks and alliances (Cieri and Dowling 1999). Transnational structure covers the structure of international operations, intra-organisational networks, and mechanisms of co-ordination. The life cycle stage in which the corporation and industry operate, international entry modes and levels of firm strategy, can also exert influence on strategic HR policies and practices within TNCs (Cieri and Dowling 1999). Internal factors also include TNCs' experience in international business and their parent enterprises' international orientations.

Furthermore, Schuler and Tarique (2007) proposed that the experience of multiple stakeholders can be added to the SIHRM framework. The stakeholders of TNCs can be shareholders, staff at both managerial and non-managerial levels and employees, governments and communities (Beer (1985) cited by Farley *et al.* 2004), as well as TNCs themselves, employers, customers and suppliers and alliance partners (Schuler and Jackson 2005).

The international business context tends to add additional complexity to HRM and to develop the HRM in TNCs beyond a national setting (Harris *et al.* 2003). Thus, it has been suggested that TNCs need to be aware of the differences in managing people in different countries with various cultures, institutional regulations, local customs (Tayeb 2005). Stehle (2004) also contended that IHRM is not simply about ‘copying’ HR policies and practices from parent enterprises to affiliates of TNCs, as many of these policies and practices may not suit the national cultures and institutions in host countries of the affiliates. It is argued here that TNCs may also need to pay more attention to local factors which are different from TNCs’ home countries, and to try to motivate and develop their local employees in terms of the local factors in order to develop their long-term operations abroad.

### **2.2.3 IHRM functions**

This section focuses on four main HR functions which contribute to the success of TNCs. These HRM functions include staffing, performance appraisal, training and development, and reward management. The reason of choosing these four functions is that these functions are frequently adopted by HR scholars to delineate HRM systems. For example, Cieri and Dowling (1999) included these four HR functions in their integrative SIHRM framework discussed in Section 2.2.2. Moreover, in a study based on comparing the operation of TNCs in a range of national settings, Carroll (1988) utilised recruitment, performance appraisal, training and promotion, and compensation as ‘HRM systems’. Later research, such as Björkman and Fan (2002) and Deng *et al.* (2003), focused on HR activities which are identified by Huselid (1995) as ‘high-performance’ HR activities (recruitment, performance appraisal, training and development, and compensation). Therefore, for consistent purpose, these four HR functions are used to provide an important part of the basis for this research. Moreover, the research also attempts to contribute to the existing literature by investigating the impact of Chinese cultural values on these HR functions in the Chinese context.

Staffing strategies within TNCs, such as ethnocentric, polycentric, regiocentric, and geocentric approaches, have been briefly mentioned in Section 2.2.1. Depending on TNCs’ operation orientations and their stage of internationalisation, employee recruitment and selection in affiliates can fall into one or more of these strategies. When a TNC is at the internationalisation stage of strategic expansion, and has a centralised

structure, it has been found that a TNC is likely to use an ethnocentric staffing strategy to fill key managerial positions with people from parent enterprise, that is, parent-country nationals (PCNs) (Briscoe and Schuler 2004). PCNs are expected to know their company well. Particularly, PCNs at managerial level, are expected to know how to transfer knowledge, management principles and cultures throughout their TNCs (Scullion *et al.* 2007). However, a disadvantage of the ethnocentric staffing strategy is that work motivation and efficiency of employees in affiliates can decrease due to the lack of opportunities for local employees' promotions, as most PCNs can be typically found in key managerial positions in affiliates (*Ibid*).

By adopting a polycentric staffing strategy, employees within local affiliates, that is, host country nationals (HCNs), have been found to be employed to fill key positions at affiliates (Briscoe and Schuler 2004). The local employees are more familiar with local culture, language, and ways of doing business, and they would also have contacts in place. The cost of HCNs is usually less expensive than hiring PCNs from parent enterprises (Scullion *et al.* 2007). One disadvantage of a polycentric staffing approach is the difficulty of coordinating operations and goals between the affiliates and parent enterprise, including the potentially conflicting commitments and loyalties to local managers (*Ibid*). Therefore, local managers may interpret and implement the HR policies and practices of the parent enterprise differently than intended by the parent enterprises. Moreover, the managers from parent enterprises may not gain necessary international experience for potential positions in TNCs which require the understanding of local operations at affiliates (Dowling *et al.* 2008).

It has been suggested that TNCs tend to adopt a geocentric approach to recruit employees across the world regardless of nationality, thus third country nationals (TCNs) are involved in this approach (Briscoe and Schuler 2004). Geocentric staffing policy can provide a greater pool of qualified candidates for companies and can bring diverse perspectives and international experience (Scullion *et al.* 2007). Within this approach, a mix of PCNs, HCNs, and TCNs is introduced according to the business strategies of TNCs (*Ibid*). Similar to the geocentric approach, the regiocentric staffing strategy involves with diverse workforces, but it is done on a regional basis (Dowling *et al.* 2008). For example, a TNC's Chinese affiliates would hire employees within Asia.

Adopting an appropriate staffing strategy is essential for the effective management of HR within a company. The effectiveness of many other HR functions, such as performance appraisal and training and development, is closely related with the quality of employees attracted through the staffing process (Brewster *et al.* 2007). Sparrow (2006) pointed out that the challenges for HR professionals in handling staffing for TNCs vary in each country, but a common question from the professionals is how to ensure consistency throughout organisations in different cultures and business markets.

The common forms of staff selection within TNCs are interviews, assessment centres and psychological testing, although the content of the selection varies in different industries and/or countries (Brewster *et al.* 2007). Regarding staffing policies and practices, there are formal and informal methods. Formal methods are headhunting, national and/or cross-national advertising, internet recruitment, international graduate programmes, etc. (Brewster *et al.* 2007). Informal methods rely on the contacts of existing employees or on people making speculative application (*Ibid*). Informal staffing practices are adopted by companies throughout the world, as they are invariably less expensive than formal ones (Harris *et al.* 2003). However, the informal staffing approach is also criticised because such approach is not likely to be representative of the wider community (Taylor 2005). In addition, the use of informal recruitment methods may also cause employers to breach discrimination legislation, as people from some disadvantaged groups in society may not be given a fair chance (*Ibid*).

Overall, TNCs plan their staffing needs according to their business strategies within the context of their operating countries and regions. In this manner, TNCs face the challenge of employing people from different countries and under particular laws and institutional arrangements (Briscoe *et al.* 2009). Therefore, it is reasonable to suggest that TNCs need to be aware of these differences when they develop their HR policies and practices at affiliates. In other words, the notion of ‘good’ staffing policies and practices in TNCs differs from country to country, it is therefore reasonable to argue this problem can also exist in relation to other three HR functions.

Performance appraisal is said to refer to the periodic formal evaluation of employees’ performance, usually by supervisors, and it is designed, implemented and evaluated by TNCs for the purpose of managing the performance of their global workforce (Briscoe

and Schuler 2004). It is often stated that employee performance contributes to the attainment of strategic global objectives and results in overall TNCs' desired performance (Purcell *et al.* 2003; Ericksen and Dyer 2005). Therefore, TNCs performance appraisal systems can also greatly influence the performance of their employees (Guest 1997; Gerhart 2007).

A commonly adopted performance appraisal method in TNCs is said to be Management by Objectives (MBO), which emphasizes setting measureable goals (Brewster *et al.* 2007). MBO defines each employee's responsibilities in terms of expected results and is assessed by superiors in a certain period of time, such as within six months or one year (*Ibid*). In addition, Greene (2005) suggested that an effective performance appraisal process is involved with regular communication and a trustful and positive relationship between subordinates and their supervisors. In other words, pre-set goals should be clearly-defined and fair, and the feedback from supervisors timely and objectively accurate (*Ibid*). In many companies, the results of performance are used, either directly or indirectly, and are linked with employees' training and development plans, and reward outcomes (Briscoe and Schuler 2004).

Moreover, Tayeb (2005) found that performance appraisal policies and practices can vary in the class system in capitalist societies. For example, the performance of managers and other high-level white-collar employees are usually assessed by setting targets and objectives to be met within a certain time, and through employee-generated periodical reports (*Ibid*). In contrast, blue-collar worker performance is often measured by daily targets set by their supervisors, for example, number of units produced (*Ibid*).

Furthermore, the performance appraisal in the international context does not only include assessing the performance of TCNs and expatriate, but also focus on evaluating local employees' performance in affiliates (Dowling *et al.* 2008). Indeed, it has been suggested that performance appraisal policies and practices within TNCs need to be adapted according to local culture (Braun and Warner 2002). A detailed discussion of the impact of national culture on performance appraisal will be presented in Section 2.4.

Training and development of employees has also been highlighted as an important function for the long-term success of TNCs. Training and development in affiliates

needs to be consistent with a transnational business strategy (Caligiuri *et al.* 2005). Soft-skill and professional trainings are the two main components of training and development programmes in TNCs (Briscoe and Schuler 2004). Soft-skill training, such as leadership, interpersonal skills, writing skills, is designed to develop employees' management and administration competencies (*Ibid*). Professional training, which varies according to employees' job and positions, is designed to help employees develop their career further (*Ibid*). In most TNCs, newly recruited employees typically have orientation training, which introduces organisational structure and culture, as well as management philosophies (Tayeb 2005). After the orientation trainings, it has been found that new employees need further trainings according to the need of their positions (*Ibid*).

A major challenge facing TNCs is how to develop individual employees' skills and competencies across cultures (Briscoe and Schuler 2004). Cross-cultural training, diversity training and language training make up the three broad groups of training initiatives commonly used by TNCs (Caligiuri *et al.* 2005). Whereas cross-cultural training is developed to help employees adapt to living and working in a new cultural environment, diversity training is developed to help employees understand and appreciate the importance of a diverse workforce within TNCs, and to work effectively with employees from various backgrounds. As a complement to cross-cultural and diversity training, language training can also provide employees with the skills required to communicate with colleagues and clients in other countries. Briscoe *et al.* (2009) found that TNCs prefer to have well-trained management members with international experience available to facilitate management in cross-cultural settings. As such, experienced managers can become a valid communication bridge between parent enterprises and affiliates in TNCs. It is argued that the managers can share their global knowledge and experience with local employees, while local employees can learn more about management principles and the culture of parent enterprises from the managers (Briscoe *et al.* 2009).

Reward management in TNCs, is also frequently cited as an important factor in expatriate literature (Lowe *et al.* 2003; Fenwick 2004; White 2005). Expatriate reward includes compensation and benefits for expatriates who are on short- or long-term assignment abroad. However, researchers investigating reward management in TNCs



may also need to pay more attention to the reward issues, such as basic salary, variable or contingent pay, and benefits, relating local employees in overseas affiliates of TNCs.

Harris *et al.* (2003) found an almost universal preference for basic salary is based on skill, competence or performance rather than on age, experience or seniority. Variable or contingent pay, particularly performance-related pay, focuses on the individual achievement and contribution (Lowe *et al.* 2003). Employee benefits tend to reflect a society's or a country's general value system and are congruent with national culture (Fenwick 2004). Factors that significantly affect the benefits package are the differences in national benefits provision and in job and income protection (*Ibid*). For example, healthcare provision can range from none at all to complete provision in terms of economic factors, demographics, historical factors and culture of each country (*Ibid*).

Moreover, a successful global reward strategy needs to ensure a balance between organisational consistency and local compatibility (Edwards and Rees 2006). This requires TNCs to research and understand a number of the issues and prevailing conditions that would influence local implementation and effective operation of reward management policies and practices (White 2005). There are many variables in relation to these policies and practices, including local market factors and pay scales, governmental involvement in benefits, the role of labour unions, the cost of living (Briscoe and Schuler 2004). Balancing the tensions between achieving the benefits of a global strategy and the requirements to comply with national mandatory requirements is one of the key difficulties encountered by TNCs (Edwards and Rees 2006).

#### ***2.2.4 Convergent and divergent trends in IHRM***

The mainstream debate regarding IHRM is divergence and convergence. The researchers who appear to support the divergent HRM trend argue that due to cultural, institutional, economic, legal differences across countries, HR policies and practices within TNCs should be adapted accordingly to their host countries' local conditions (Jackson and Schuler 1995; Ralston *et al.* 1997; Keeley, 2001; Fisher and Härtel 2003). However, the researchers who appear to support the convergent HRM trend, claim that there is a common management system which could be used by organisations all over the world (Kerr 1983; Mueller 1994; Warner and Joynt 2002; Brewster *et al.* 2004). Moreover, researchers supporting the HR-convergence approach argue that the variable

factors that ‘divergent’ advocates hold can be diminished due to international competition and cooperation.

To attempt to clarify this debate, Child (1994) compared HRM research across cultures and argued that convergence can occur at the HR policy level, while divergence can take place on the HR practice level via different national contexts. The two sides of the debate can be considered as mutually inclusive (Tayeb 1998). This is the approach that some researchers identified as ‘cross-vergence’ (Warner 2002; Rowley *et al.* 2004) or ‘relative convergence’ (Warner 2004). It is also argued that HR policies and practices can be convergent or divergent at different levels of organisations and in different countries (Warner 2002; Warner 2004; Rowley *et al.* 2004).

In the HRM context, if the transfer without organisational local adaptation is found to be acceptable and appropriate, then HR policies and practices of parent enterprises would converge towards affiliates (Warner 2004). If the transfer without organisational local adaption is found to be unacceptable, or there is resistance of some parent enterprises’ HR policies and practices, then a divergent approach could happen (*Ibid*). However, if a convergent IHRM orientation towards a new local environment which is mixed with various values, customs and employment regulations, it is believed that a cross-vergent transfer form is a more likely strategy to be approved (*Ibid*).

A relevant point to make here is what Schuler *et al.* (1993) and Legge (2005) pointed out, in that there is a qualitative distinction between HR policies and practices. For example, Tayeb’s (1998) study showed that most TNCs have global HR philosophies and policies of an ethnocentric nature throughout organisations. At the same time, Tayeb (1998) also found that it is necessary to be flexible in relation to the local context when global HR philosophies and policies is transferred to practice level. In this manner, the HRM guiding principles in such cases keep the company as a whole intact and integrated, while at the same time, allowing for a measure of HR differentiation when needed or desirable.

As stated in Chapter One, the main aim of this study is to explore the perceptions and views of employees on Chinese cultural values and their impact on HR policies and practices within TNCs in China. The study also intends to investigate whether HR

practices within TNCs in China would be aligned with global HR policies in their parent enterprises. It is argued that the transferred HR policies and practices can be implemented differently from what parent enterprises intend due to local employees' cultural values.

Furthermore, in relation to the debate of HR divergence, with the evolution of IHRM and Cross-cultural Management, there are two major arguments to support the '*embeddedness of strategy*' (Edwards and Rees 2006: 76) when TNCs operate in various cultural contexts. Some researchers, considered as 'institutionists', contend that societal institutions and characteristics, such as trade unions, legal systems, government policies, and pattern of ownership and size of companies, can exert influences on HRM strategies and on the implementation of HR policies and practices (Whitely 1999; Almond *et al.* 2005). The 'institutionists' claim that the aforementioned factors, such as institutional factors, are more important than other concerns (Almond *et al.* 2005). On the other hand, some researchers who are considered as 'culturalists', emphasise the impact of local national culture on the HR policies and practices in TNCs' overseas affiliates (Laurent 1992; Hofstede 1980, 2001; Adler 2001, Tayeb 2003, 2005). The 'culturalists' believe that national culture and its historic legacy play a more influential role than other factors when TNCs choose the 'best' approaches to transfer HR policies and practices. Despite such debates, both groups support the view that when TNCs have business operations internationally, there are national differences existing among parent enterprises and affiliates.

It has been suggested that the national cultural factor, which Schuler *et al.* (1993) and other researchers discussed in the IHRM framework, has become more complex in the international business environment. When TNCs establish affiliates abroad, a question of cross-cultural transfer of HR policies and practices is raised. Tayeb (2000) emphasised that the extent to which HRM can be considered strategic or global depends to a great extent on the national context and culture of both the home country and host countries of TNCs. Tayeb (2000) also suggested that HRM strategies of TNCs would have to confront culturally-rooted values and norms which are likely to exist when host-country employees perceive the HR policies and practices which are transferred from their parent enterprises.

The focus of this study is on the cultural environment of TNCs' host countries, and in turn, the impact of local national culture on HR policies and practices within TNCs. The main goal of this thesis is not to prove that host country's national cultural values are more important than the other internal and external factors, but to explore how the Chinese cultural values influence the HR policies and practices within TNCs in China.

The next section will focus on the extent to which national culture can shape the nature and character of HR policies and practices within TNCs.

### **2.3 National culture**

Managing HRM in TNCs requires an understanding of the influence of both the internal and external environments of organisations, such as institutional and socio-cultural contexts, organisational culture and ownership status. A number of researchers in IHRM indicate that within these environments national culture exerts great influence on HRM systems within TNCs. This is because national cultures are the basis of people's behaviour (e.g. Schuler *et al.* 1993; Adler 2001; Tayeb 2005). It is further argued that employees in an organisation live within a larger complex society, as employees in TNCs share certain principles and values at work and can be influenced by these principles and values (Sonja and Phillips 2004). Moreover, employees can also bring other values and norms that they acquire outside of TNCs in the form of national cultures (*Ibid*). Sonja and Phillips' (2004) argument is echoed in Sondergaard's (1994) work, which advocates that national culture is a major factor in the decentralisation when TNCs operate in a particular country. Definitions of culture and cultural dimensions will now be discussed.

#### **2.3.1 Definitions of culture**

Culture is said to be a social construct (Hofstede 1980, 2001; Tayeb 1996; Adler 2001). It is further explained that culture is the manner in which a particular society develops norms and rules to make sense of their surrounding world (Trompenaars and Hampden-Turnce 2004). Hall and Hall (1990) labelled culture as a giant, complex, subtle computer with a programme for behaviour containing hidden codes, and Hofstede (2001: 9) defined culture as '*the collective programming of the human mind that distinguishes the members of one group or category of people from another*'.

Furthermore, Denny (2003: 68) pointed out that:

*it is clear that culture is different between nations. A nation's culture or national character is shaped by historical, geographical and philosophical factors. As each country has a different (view of) history, geography and philosophy, so they have different cultures*

Moreover, in the GLOBE<sup>1</sup> research project, House *et al.* (2006: 13) defined culture as:

*shared motives, values, beliefs, identities, and interpretations or meanings of significant events that result from common experiences of members of collectives and are transmitted across age generations*

House *et al.*'s (2006) definition of national culture is used as the meaning of culture in this thesis, as it is neither too narrow nor too general. This definition make the point of emphasising the pervasive influence which culture has on the individuals of a given society and/or country. Thus, culture establishes the boundaries of what distinguishes a group of people of one collective society from another. In this thesis, the culture that exerts influence on the individuals of a country, that is, national culture, is investigated. However, the definition also indicates that cultural differences do exist and can also affect people's attitudes and behaviour toward HR policies and practices.

### **2.3.2 Cultural dimensions**

Four cultural frameworks which describe cross-cultural differences among different nationalities are now discussed (e.g. see Hofstede 1980, 2001; Hall and Hall 1990; Trompenaars and Hampden-Turnce 2004; House *et al.* 2006). These frameworks are presented to highlight differences among national cultural dimensions in Table 2.2.

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<sup>1</sup> This is the Globe Leadership and Organisational Behaviour Effectiveness research programme (GLOBE), a cooperation of 170 researchers from 62 cultures representing all major regions of the world. The study aims at explaining the impact of culture on leadership behaviour and organisational process. The GLOBE project started in 1991 with a long-term orientation and has developed a worldwide spread using a multiphase, multi-method cross-cultural research design. Three out of four research phases have been completed. At this stage, the GLOBE group has delivered data from questionnaires filled out by 17000 middle managers active in three industries and representing 62 countries. The cultural dimensions are partly based on the dimensions identified by Hofstede (1980, 2001) and partly based on further theoretical considerations. (Source: Dowling *et al.* 2008)

Hofstede (1980, 2001)	Hall and Hall (1990)	Trompenaars and Hampden-Turnce 2004	House <i>et al.</i> (2006)
- Power distance	- Low context and high context	- Universalism vs. Particularism	- Power distance
- Individualism vs. Collectivism	- Time	- Individualism vs. Collectivism	- Institutional collectivism
- Masculinity vs. Femininity	- Space	- Affective-neutral	- In-group collectivism
- Uncertainty Avoidance		- Specific-diffuse	- Uncertainty avoidance
- Long-term Orientation		- Achievement-Ascription	- Future orientation
		- Time	- Gender differentiation
		- Inner and outer directedness	- Assertiveness
			- Performance orientation
			- Humane orientations

**Table 2.2 Four frameworks to compare national cultural dimensions**

The study of Hofstede, originally based on survey data obtained from 160,000 employees of IBM in over 70 different countries between 1967 and 1973, has provided influential insights into varying cultural predispositions across national barriers. The result of his analysis showed that nationality has real affect on business practices. Hofstede initially found that the differences in responses can be explained by four main cultural dimensions. The four main cultural dimensions include *power distance*, *individualism versus collectivism*, *masculinity versus femininity* and *uncertainty avoidance*. *Long-term orientation*, which is based on a study by Chinese researchers (Bond *et al.* 1987), is added to Hofstede's cultural dimensions in later work. According to Hofstede (1980, 2001), these cultural dimensions describe the basic elements of a common structure in the cultural systems of each country. Hofstede's cultural dimensions provide not only a framework for analysing national culture, but also a thread to examine the impact of cultural differences on management policies, practices and organisation. For each dimension, Hofstede also presented possible consequences for management behaviour.

*Power distance* reflects the extent to which members of society are prepared to accept a hierarchical or unequal power structure. Hofstede (1980, 2001) argued that this inequality within the organisation is necessary and functional, yet can vary according to national settings. Business operations can not function properly without a line of

authority that defines responsibility as well as accountability (*Ibid*). This dimension clearly has explanatory value concerning varying degrees of organisational hierarchy and propensity towards managerial consultation across cultures. For example, northern Europe, such as Finland and Denmark, and the USA tend to have relatively low power distance, while those in southern Europe, such as Spain and Greece, Asia, Latin America and Africa were found relatively comfortable with hierarchy and paternalism (Hofstede 1980, 2001).

In an *individualistic culture*, people are expected to be independent and to take care of themselves and close family members and friends (Hofstede 1980, 2001). In a *collectivistic culture*, people are expected to be responsible for the society to which a person belongs, such as family, community, work organisation (*Ibid*). Hofstede asserted that modern management policies and practices tend to emanate from more individualistic societies (e.g. performance-related pay), and that the modern management policies and practices have limited applicability in collectivistic and developing countries. It is postulated that countries become more individualistic as they become more economically advanced. English-speaking countries tend to be highly individualistic (notably the USA), while higher degrees of collectivism are to be found in Eastern Europe, Asia, Latin America, the post-socialist bloc and development countries (Hofstede 1980, 2001).

*Masculinity versus femininity* can be also interpreted as achievement versus relationship orientation. Countries that are high on masculinity value acknowledge achievement and success (Hofstede 1980, 2001). In workplaces employees emphasise their work to a great extent and they admire achievers who accomplished their tasks (*Ibid*). In contrast, countries that are high on femininity value consider quality of life and helping others to be very important (*Ibid*). Working is basically to earn money which is necessary for living (*Ibid*). In business as well as in private life they strive for consensus and develop sympathy for people who are in trouble (*Ibid*). The term, masculinity versus femininity, therefore, is lack of gender connotation and does not represent the role of men and women in a society (*Ibid*). Highly masculine societies include Japan, Austria and Latin countries, while Scandinavian countries and the Netherlands are relatively feminine in orientation (*Ibid*).

*Uncertainty avoidance* relates to the extent to which members of a society are prepared to tolerate ambiguity and risk (Hofstede 1980, 2001). In risk-averse countries or organisations, regulations or institutional arrangements tend to be put into place to mediate the threat of uncertainty and ambiguity (*Ibid*). Rule-making and bureaucracy would be a common feature of working life in such countries. In Europe, Germany, Italy and France are referred as risk-averse, while Britain and Sweden are referred as low risk-averse. Japan, Latin American countries and Mediterranean countries also score highly on uncertainty avoidance (*Ibid*).

*Long-term orientation* refers to the tendency to look toward future results that concern perseverance and thrift (Hofstede 1980, 2001). This dimension was added in 1987, with the assistance of Michael Bond and his colleagues, to counter the potential Western bias of the IBM questionnaire and to embrace Asian values. Long-term thinking, prevalent in Confucian-oriented thinking, stresses virtues such as persistence and perseverance and is consistent with organisational building strategic plans over an extended time frames, whereas short-term thinking is associated with results ‘here and now’ and puts pressure on business and employees to demonstrate immediate achievements (Bond *et al.* 1987).

According to Hofstede (1980, 2011), these five cultural dimensions above describe the basic elements of cultures. Hofstede’s cultural dimensions provide not only a framework for analysing national culture, but also a thread of examining the impact of cultural differences on management policies and practices and organisation. Hofstede’s study has been highly influential in academic and commercial circles as it has highlighted the significance of culture in international business engagements and in shaping managerial behaviour across national boundaries. The study, through its strong empirical orientation, sought to make a tangible and quantifiable notion of culture.

However, it is important to note that Hofstede’s research findings have been criticised on methodological ground. The main criticisms were related to the research sample and the method (Robinson 1983 (cited in Gooderham and Nordhaug 2001); Yeh and Lawrence 1995; Tayeb 1996, 2000; Fang 2003; McSweeney 2002; Thompson and McHugh 2009).



For example, McSweeney (2002) argued that Hofstede's study suffers from a number of important weaknesses, such as the assumption of cultural homogeneity within a country, and the difficulty of generalising for a national culture on the basis of quite small samples of one occupational group in one company. More broadly, fundamental problems remain with the way that national culture is conceptualised and applied. In addition, McSweeney (2002) found it implausible that the IBM sample would prove representative, that one could distinguish organisational culture from national culture, and that nations might comprise adequately definable cultures.

Moreover, Thompson and McHugh (2009: 76) also point to a major flaw in Hofstede's approach, namely that:

*The patterns attributed to national mindsets can and do change [...] societies or sectors within them can become more centralised and autocratic as the result of political changes, management fashions or power struggles.*

By locating attitudes within a largely unvarying national character, Thompson and McHugh (2009) argue that cultural relativists tend to produce overly static descriptions that exaggerate the durability of values and practices. As such, many of Hofstede's pronouncements look particularly dated. Thompson and McHugh (2009) refer to the example of the former Communist countries. Most of them indeed manifested high power distance, collectivism and uncertainty avoidance, but this is '*hardly surprising given the nature of their shared command economy and centralised party-state apparatus*' (*Ibid*: 75). However, Russia and other ex-Eastern bloc countries are now experiencing rampant individualism and uncertainty following the collapse of the old solidaristic social norms.

In addition, Fang (2003) pointed out a number of drawbacks in Hofstede's fifth national culture dimension. For example, there was redundancy among the 40 Chinese values which are the ultimate base of Hofstede's fifth dimension, as a number of values either mean essentially the same thing or are highly interrelated (*Ibid*). Fang (2003) also argued that inaccurate English translation is found in some values, which may have, in part, resulted in misinterpretations and eventual meaningless findings. Moreover, these

values are emerged from Confucianism, and the Taoist and Buddhist values are not considered in the design of the survey (*Ibid*).

Furthermore, it is argued that there are cultural biases in the research sample of Bond *et al.*'s (1987) work, as the respondents of the research were university students and selected from 22 countries, such as Hong Kong, Japan, India, Nigeria, but not China (Hong Kong did not belong to China until 1997). Moreover, the cultural values that Bond *et al.* (1987) proposed are likely to be out of date in early 21<sup>st</sup> century. Although Hofstede (1999) argued that culture changes very slowly, by studying the cultural values that young European business school students hold, Gooderham and Nordhaug (2001) contended that culture can change.

In the Chinese context, Gamble (2006) found that cultural values are not static and can be shifting, as the evidence in Gamble (2006)'s work suggested that Chinese employees respond well to flat hierarchy and consultative mechanisms. Faure and Fang (2008) also pointed out that China has undergone significant cultural changes and the contemporary Chinese culture encompasses new elements, such as individualism, short-term orientation, and materialism. These new cultural values seem to be contradictory to the cultural values (e.g. thrift, collectivism, and long-term orientation) which were defined by Hofstede (1980, 2001) and Bond *et al.* (1987). However, Faure and Fang (2008) contended that the traditional Chinese cultural values are not being removed by the new cultural values, but are coexisting with them.

While Hofstede's study is widely considered to be the classic contribution to cultural studies, others have advanced similar arguments using different methodological approaches. One of the well-known examples is Hall and Hall (1990). They contended that context refers to '*the information that surrounds an event; it is inextricably bound up with the meaning of that event*' (*Ibid*: 6). In low context countries, interaction between individuals tends to be explicit, unambiguous and formal, and time management, punctuality, as well as work-life balance are emphasised by individuals (*Ibid*). In high context countries, communication and interaction between individuals tends to be informal, and there is less emphasis on time management or punctuality, and a blurred division between activities at work and home (*Ibid*). The theoretical contribution of Hall and Hall's (1990) work can have particular value as foreign-

invested enterprises between low and high context countries have been increasing, potentially creating tensions in national cultural values and norms.

Trompenaars and Hampden-Turner (2004) built on and refined Hofstede's (1980, 2001) and Hall and Hall's (1990) work by highlighting cultural differences along the dimensions of *particularism versus universalism*, *individualism versus collectivism*, *affective versus neutral emotions*, *specific versus diffuse role*, *achievement versus ascription status*, *time as sequence versus synchronisation* and *equality versus hierarchy*. They used a more sensitive device than Hofstede – scenarios containing ethical and practical dilemmas put to over 15,000 managers in 298 countries – and on this basis they identify patterns of responses that reflect different systems of values. These seven cultural dimensions are based on national cultures, and the underlying argument remains similar to Hofstede's, namely that every culture is held to have a tacit dimension rooted in a subconscious set of beliefs that form the bedrock of national identity. The work of Trompenaars and Hampden-Turner (2004) takes Hofstede's study forward by offering an alternative set of cultural dimensions, and by placing a focus on meanings, or human's interpretations of the world around them.

*Universalism versus particularism* relates to the extent to which individuals are inclined to apply universal principles to specific occurrence (Trompenaars and Hampden-Turner 2004). While formal notions of fairness and truth are regarded as significant in universalistic cultures, particularism places a great emphasis on the building and protection of relationships (*Ibid*).

*Individualism versus collectivism* is reflective of Hofstede's equivalent dimension and essentially refers to whether the individual's primary orientation is towards the self or to common goals and objectives (Trompenaars and Hampden-Turner 2004). However, these two scholars also found that following the development of market liberalisation, Mexico and The Czech Republic moved towards individualism. Their finding also indicates that national cultural values are dynamic and can not be unchanging (Thompson and McHugh 2009; Gamble 2006; Faure and Fang 2008).

*Neutral versus affective* dimension relates to the extent to which feelings and emotion, or impersonality and rationality, are expressed in interpersonal encounters (Tropenaars and Hampden-Turner 2004).

*Specificity versus diffuseness* dimension relates to the distinction drawn between individual's private and public spaces (Tropenaars and Hampden-Turner 2004). In specific cultures, compartmentalisation occurs between work and private life, while in more diffuse societies various spheres of life are closely integrated, and the 'whole person' is involved in business relationships, as with other dimensions (*Ibid*).

*Achievement versus ascription* dimension refers to the extent to which social status is achieved either by what people have done, that is, what they have achieved through their own exertions (e.g. educational qualifications, performance measurements, etc.), or through who they are, as a product of birth, family, gender, age or religion (Tropenaars and Hampden-Turner 2004).

*Sequential versus synchronic* dimension distinguishes cultures on the basis of their perceptions of time (Tropenaars and Hampden-Turner 2004). Some countries are most oriented towards monochronic perception, which assumes that time is linear and sequential, while others are polychronic in nature, where time is multiple and diffuse (*Ibid*). In the former, activities tend to be separated into sequences, while in the latter, individuals are inclined to undertake several activities at the same time (*Ibid*). This dimension also relates to the extent which societies are oriented towards the past, present or future (*Ibid*).

*Inner versus outer directedness* dimension reflects fundamental notions as to whether individuals and groups can control their destiny, or whether external factors and luck play a decisive part (Tropenaars and Hampden-Turner 2004). In inner-directed societies, it is believed that strategic choices and planning are important in shaping organisations and their environment, while outer directedness emphasises the force of political conditions and 'acts of God' (*Ibid*). Personal networking has a high premium in outer-directed societies (*Ibid*).

Based on previous cultural studies, House *et al.* (2006) reported similar findings and developed alternative ways to categorise cultural values in the GLOBE project. House *et al.*'s (2006) work categorised cultures on nine dimensions including *power distance*, *institutional collectivism*, *in-group collectivism*, *uncertainty avoidance*, *gender differentiation*, *assertiveness*, *humane orientations*, *future orientation*, and *performance orientation*. The dimensions evidently exhibit much overlap, even synthesising of, the factors reported by cultural scholars.

The first four of these dimensions are described as direct extensions of Hofstede's (1980) work, with the exception that factor analysis revealed two dimensions of collectivism (Thomas 2008):

- *Power distance*: the degree to which members of a collective expect power to be distributed equally;
- *Institutional collectivism*: the degree to which organisational and societal institutional practices encourage and reward collective distribution of resources and collective action;
- *In-group collectivism*: the degree to which individuals express pride, loyalty, and cohesiveness in their organisational or families;
- *Uncertainty avoidance*: the extent to which a society, organisation, or groups relies on social norms, rules, and procedures to alleviate unpredictability of future events.

The two dimensions below can be seen as a reconceptualisation of Hofstede's (1980) masculinity-femininity dimension (Thomas 2008):

- *Gender egalitarianism*: the degree to which a collective minimises gender inequality;
- *Assertiveness*: the degree to which individuals are assertive, confrontational, and aggressive in their relationships with others.

These two dimensions have their origins in the work of Kluckhohn and Strodtbeck (1961) on the nature of people and time orientation presented previously (Thomas 2008):

- *Human orientation*: the degree to which a collective encourages and rewards people for being fair, altruistic, generous, caring and kind to others;
- *Future orientation*: the extent to which people engage in future-oriented behaviours such as delayed gratification, planning, and investing in the future.

The final dimension is described by House *et al.* (2006) as derived from McClelland's (1961) work on achievement motivation. However, links to Hofstede's (2001) masculinity construct can also be found (Paterson 2004). The dimension is:

- *Performance orientation*: the degree to which a collective encourages and rewards group members for performance improvement and excellence.

In addition to the fact that the GLOBE data were collected from middle managers in the firm's headquarters, several other aspects of this study are worth noting. Most interesting, perhaps, is that the cultural dimensions were measured both as practices (the way things are) and values (the way things should be), and for some of the dimensions these two kinds of measures were negatively correlated (House *et al.* 2006). This raises some interesting questions about the attitudes of middle managers in some countries toward society (Peterson 2004). Another important note is the GLOBE project found that within every one of the nations surveyed, respondents indicated they would prefer power differentials less than they currently are (House *et al.*, 2006).

As discussed, the results of the major cultural studies of national variation in value orientations have some remarkable similarities, despite being conducted at different times, with different samples, and using different methods. For example, the studies of Hofstede (1980, 2001), Hall and Hall (1990), Trompenaars and Hampden-Turner (2004) and House *et al.* (2006) appear to suggest that organisations are 'culture bound' and that management practices are heavily influenced by collectively shared cultural values and belief systems. There are some powerfully intuitive connections between the cultural stereotypes and orientations theorised by these cultural scholars and observed manifestations of HRM across countries. Hollinshead (2010) states that culture theory can provide a useful conceptual tool for understanding and judging comparative manifestations of HRM across borders. Arguably its contribution relates to the

awareness it provides of the potential for cross-cultural ambiguity and misunderstanding in TNCs (*Ibid*).

Furthermore, Vance and Paik (2006) argued that, due to globalisation, there is a growing convergence of national cultural values and characteristics. There is some evidence to support the view that modern technology and the modernisation of industries around the world are influencing firms to adopt similar 'best practices' (convergence) (Huo *et al.* 2002; Von Glinow *et al.* 2002). Meanwhile, there is other evidence to support the view that countries' cultural values continue to exert quite strong influences on their business and HR practices (divergence) (Drost *et al.* 2002). Convergence and divergence perspectives may represent conceptual extremes, it is likely while the reality is somewhere in between. As most TNCs struggle to find the optimal trade-off between globalisation and localisation, perhaps the reality is closer to a more balanced or middle-ground view call 'cross-vergence', or the intermixing of cultural systems between different countries (Vance and Paik 2006).

In IHRM studies, as indeed in studies of any other aspects of human relations, the recognition of cultural differences between different people is essential and can help people understand the motives and behaviour of those with whom they interact (Tayeb 2005). Many researchers have written in great detail about various culturally-influenced and work-related attitudes and values, and explored how they might affect different aspects of organisations and their integration with their cultural contexts (Hofstede 1980, 2001; Trompenaars 1993; Adler 2001; Tayeb 1998, 2003, 2005; Trompenaars and Hampden-Turnce 2004; House *et al.* 2006). Dowling *et al.* (2008) advocated culture to be a subtle process, in that people need to be confronted with another culture in order to fully understand how culture can affect their values and norms. In the global economy companies and their employees are mobilised across national boundaries, therefore, an understanding and appreciation of national cultural factor can be an important variable that accommodates differences between domestic and international HRM. Dowling *et al.* (2008) also pointed out that HR policies and practices within TNCs, such as staffing, performance appraisal, training and development, and reward management, can be determined by the HR practices of the host country and are often based on the country's culture values.

The next section will focus largely on the extent to which national culture can shape the nature and character of HR policies and practices within TNCS.

## **2.4 The impact of national culture on IHRM**

With increased globalisation, particularly by developed-country TNCs, Western HRM is commonly applied around the world, even in non-Western cultural contexts. The essence of IHRM is that TNCs need to develop HR policies and practice which can best support the implementation of their global strategy (Schneider and Barsoux 2003). Thus, an important question is raised as to the applicability of centralised HR policies and practices in different national cultural environments.

A number of researchers are increasingly turning their attention to the application of IHRM to other countries and situations. Clark and Pugh (2000) focusing on Europe, contended that the HRM concept, which has been rooted in Anglo-American culture, has not been evenly accepted nor implemented in European countries. Their study indicated that a certain amount of local interpretation and modification of HR policies and practices would be needed when transferring HR policies and practices from one country to another. Tayeb (2003) also argued that there are likely to be differences in how HR policies and practices are implemented by TNCs in host countries as compared with their home country setting. In Asia, however, an increasing number of TNCs managing operations, different HR policies and practices have been introduced (Rowley *et al.* 2004; Zhu *et al.* 2007). In short, a number of researchers have found that a passive adaptation of HR policies and practices, which are developed in parent enterprises of TNCs, may not be effective in other socio-cultural environments.

Harris *et al.* (2003) pointed out that employees within TNCs, especially HR professionals, need to understand that their HR policies and practices, such as staffing, performance appraisal, training and development and reward management, can be all influenced by the respective national cultural values and norms. It was assumed that staffing and training were less culture-bound because they were characterised by technical ingredients attached to various positions (Rosenzweig and Nohria 1994). On the other hand, HR practices such as career development, performance appraisal and reward management are more cultural-bound and may vary from country to country (Hofstede 2001). By reviewing current literature on Cross-cultural Management and



IHRM, the effect of cultural values on HR policies and practices within TNCs is further elaborated below.

Only a small number of studies examined the international differences in staffing policies and practices and the role of national culture in explaining such differences in desirability and usage (e.g. Huo *et al.* 2002; Nie *et al.* 2002; Stone *et al.* 2007). Huo *et al.* (2002) examined data from 13 countries and found that significant differences exist between nations in terms of commonly used staffing practices. For example, national cultures which are high in uncertainty avoidance tend to adopt more tests during selection process and to audit the process to a greater extent (*Ibid*). National cultures which emphasise individualism tend to focus on rationality, individual achievement, competition and freedom (*Ibid*). Stone (*et al.* 2007) also contended that staffing policies and practices within TNCs which are developed from individualism cultures are designed to attract candidates who are efficient, achievement oriented, competitive, proactive, and have the ability to work autonomously. Moreover, Nie *et al.* (2002) found that candidates from national cultures which are relatively high in collectivism and power distance values react less negatively to inequities in selection process than candidates from national cultures which are relatively low on these values. Given the paucity of research on the relationship between national culture values and their influence on staffing policies and practices, it is argued that there is a great need for additional research on the impact of national culture on staffing policies and practices.

Within collectivistic and high power distance cultures, performance appraisal is culturally more compatible with a focus on broad performance targets than with specific qualitative and quantitative performance benchmarks (Tayeb 2005). Employees in an individualistic culture are expected to seek their individual achievement and success at work, whereas employees in a collective culture are expected to value team achievement more (Hofstede 2001). For example, it has been found that Asian managers are more concerned with coherence and harmony in companies, rather than setting out explicit performance criteria which can encourage competition as well as discord among employees and departments (Mellahi 2003). In contrast, within an individualistic culture, the individual performance-based appraisal and reward systems are usually the norm (*Ibid*). Aycan (2005) found that performance appraisal approaches, such as multiple assessors, formal and MBO assessment, are adopted more in the low power distance and

individualism cultures. Group-based, indirect and non-confrontational feedbacks are adopted in the high power distance and collectivism cultures (*Ibid*). Considering these differences in national cultural values, performance appraisal policies and practices may need to be adapted to align with cultural characteristics of host countries in order to be effective.

National cultural differences also act an important role in the design, development, and implementation of training and development in TNCs (Briscoe *et al.* 2009). For example, Mellahi (2003) found that Asian employees have few questions during the training sessions of a new system, however, they fail to implement the system later on. In other words, Asian employees are less likely to express their real thoughts and views at work due to the high power distance cultural value in these countries (*Ibid*). Moreover, employees with collective value tend to think that they should work together as a team, whereas people with individualistic value tend to think that they should work independently (Hofstede 2001). Therefore, training and development within TNCs may need to consider the different expectations of their diverse workforce, and to ensure the training and development policies and practices are widely accepted and implemented throughout companies.

Reward management policies and practices in TNCs can also differ in different host countries. Triandis (2002) found that employees from collectivism cultures may consider a balanced intrinsic and extrinsic reward system important, whereas employees from individualistic cultures may value extrinsic rewards more. The extrinsic rewards include 'hard' or tangible variables, such as salary, bonus and benefits, while the intrinsic rewards encompass 'soft' or intangible variables, such as giving higher official titles (*Ibid*). In addition, within individualistic cultures, reward management policies and practices, such as performance-related pay, tend to emphasise the contribution of individual employees (Stehle 2004). It is indicated that the effectiveness of standardised policies and practices may differ in various cultural contexts.

National cultural values, such as power distance, collectivism, and uncertainty avoidance have been shown to influence the HR policies and practices within TNCs. Cross-cultural and IHRM research suggest that different national cultural values can affect the way in which employees within TNCs perceive, value and react to the HR

policies and practices which are transferred from their parent enterprises. TNCs therefore need to be sensitive and responsive to the pervasive cultural values and norms in their host countries. As Pratt and Rafaeli (1997) argued, identifying the existence of cultural values within local affiliates should be an empirical question, not a priori assumption. Tayeb (2003) also contended that instead of investigating what kind of HR policies and practices are adopted in TNCs, the applicability of these policies and practices need to be examined in a broader international and socio-cultural context. It has been suggested that the extent to which IHRM can be considered strategic or global in TNCs depends to a great extent on the national context and culture of host countries (Schneider and Barsoux 2003).

## **2.5 Theoretical framework: agency and structure**

After reviewing the literature on IHRM and cross-cultural management, attention now turns to discussing the theoretical framework for examining the impact of national culture on IHRM. The framework consists of two features: agency and structure.

The agency (or action) versus structure debate in sociological theory concerns the issue of:

*“how far are we creative human actors, actively controlling the conditions in our lives? Or is most of what we do the result of general social forces outside our control?”* (Giddens 1997: 567)

The debate involves claims about the status of social entities, the degree of freedom/constraint of agency, and the grounds upon which knowledge about these matters is established (Clegg and Bailey 2005). Different theoretical approaches in sociology reflect different positions in the debate. Functionalism, structuralism and Marxism (with the exception of some variants of Marxism) stress the constraining nature of social influences on individual actions (Giddens 1984). These approaches are thus based on the belief that social structures determine the characteristics and actions of individuals. On the other hand, symbolic interactionism emphasises that people construct their own and each other's identities through everyday encounters with each other in social interaction (Burr 2003). This approach argues that individuals construct

social life and make sense of it to themselves and each other, and they inhabit a social world which is permeated by cultural meanings (Giddens 1997).

Berger and Luckmann (1967) provided a helpful analysis of this compromise between the above opposing views of agency versus structure, avoiding both the idea of a structure determining individuals and also that of individuals independently creating their own reality world. Berger and Luckmann (1967) saw the relationship between individual and society as operating in both directions: human beings continually construct the social world, which then becomes a reality to which they must respond. This way of thinking about the relationship between individual and society, as a dialectical process rather than as a conflict between two pre-existing entities, allows people to consider the person as being both agentic, that is, always actively constructing the social world and constrained by society (Burr 2003).

Bhaskar (1979; 1989) investigated the relationship between structure and agency, and argued that there are deep social structures which contain a duality of both structure and action. Bhaskar's (1979; 1989) work is similar to Berger and Luckmann's (1967) work, as Bhaskar also emphasised that individuals and reality are interlinked: people practise meanings-given exercise and have their interpretation of the reality that they think is true, while the reality is part of the meaning-given exercise which is employed by people.

Giddens' (1997) *structuration theory* also conceived of structure and agency as mutually constitutive, and Giddens used the metaphor of society and individuals as like to sides of the same coin. As Giddens (1997) argued, structure, in the form of routines and resources, both enables and constrains agency, while its endurance, in turn, depends upon reproduction by that agency. Thus, *structuration* refers to the mutually constitutive character of agency and structure within social relationships, which organisation features as the capacity to integrate fragmented social relationships across time and space (*Ibid*). In other words, individuals have the capacity to change the constructions of their world and thereby to create new possibilities for their own actions (Burr 2003). d'Iribarne and Henry (2007) also argued that human creative action gives rules and constructs institutions while the influence of cultures can also govern the meaning that actors give to situations and actions.

Furthermore, d'Iribarne and Henry (2007) argued that all concepts, knowledge, discourses and conventions are located in particular social formations and structures. Thus, in exploring national culture, it is crucial to recognise that 'national culture' is a socially constructed term and thus people are social actors within social structures and organisations. In this manner, by adopting the agency versus structure framework (Bhaskar 1979, 1989; Berger and Luckman 1967; Giddens 1984, 1997; d'Iribarne and Henry 2007), the interaction of society and individual relations is conceptualised when examining labour market, and specifically the impact of national culture, on IHRM.

There has been limited work in recognising and demonstrating the links between agency and structure, but Kostova (1999) and Gamble (2010) are two influential writers who acknowledge this interaction when examining HRM transfer. As previously discussed in Section 2.2.1, Gamble (2010) emphasises the importance of the agency of individuals and companies, as both individuals and companies can also exert influence the implementation and internalisation of transferred HR policies and practices from TNCs to their local affiliates. Moreover, Gamble (2010) also argues that structural features, such as culturalist models and national business systems approach, are also needed to be included when analysing HRM transfer. Kostova (1999) also sought to examine HRM transfer by combining structural and agency perspectives. The neo-institutionalist model that Kostova (1999) developed comprises three levels – country, organisation and individual – that can elaborate the factors contributing to success in the transnational transfer of HR policies and practices.

In this research, employees are conceived as social actors whose agency is constrained and enabled by the HRM systems in TNCs. With the structural dimension of the framework, it can be argued that the HR policies and practices within TNCs in China are developed and transferred by parent enterprises, and these policies and practices form the basis for how employees act in their organisations. Within the agency dimension, it can be argued that employees can reproduce such structures. However, employees also, at the same time, may make use of them in their own ways and in this process, to innovate them. In other words, employees can interpret and implement HR policies and practices according to their cultural values and norms. It is also important to examine the extent to which employees have agency, both in terms of dealing with

cultural tensions and issues. The transferred HR policies and practices from parent enterprises of TNCs to their Chinese affiliates are deemed as central factors for employees. In other words, this study seeks to investigate the extent to which Chinese cultural values can influence HR policies and practices within TNCs in China.

## **2.6 Summary**

This Chapter has discussed relevant concepts and frameworks of IHRM. The framework encompasses internal and external factors, involving convergent, divergent, and cross-vergent trends. It is indicated that successful implementation of HR policies and practices in TNCs can be affected by the degree of various internal and external factors. Among these factors, the national cultural context of TNCs and its effects on HR policies and practices in their Chinese affiliates, are the main focus of this thesis.

It is beyond the scope of this thesis to discuss the implications of all cultural dimensions identified in the literature and the debate of convergence versus divergence. It can be concluded that appropriate HR policies and practices can help and support the cohesion between different units of TNCs. TNCs might solve such culture-based divergences in the perception of the appropriateness of HRM strategies by allowing for certain well-defined exceptions which provide opportunities for local adaptation while assuring consistency with corporate guidelines (Dowling *et al.* 2008).

It would be reasonable to suggest for such discussion that effective HR policies and practices within TNCs require sensitivity and adaptation to the various host-country requirements and customs regarding employment, such as staffing, performance appraisal, training and development, and reward management. Therefore, ignoring national cultural differences among TNCs' home country and host countries may result in negative HRM outcomes, such as difficulty in attracting and retaining employees, and/or ineffective employee performance. It is indicated that a significant issue of IHRM is the need to consider national cultural differences when designing and implementing HR policy and practice within TNCs.

Moreover, the theoretical framework of this study was also discussed. The agency-structure framework was adopted to analyse the impact of national culture on IHRM. It can be argued that agency and structure are interlinked dimensions which, even though

they can be defined and analysed individually, are difficult to disentangle in practice. Hence, the impact of national culture on IHRM should be examined within an interactionist framework which acknowledges the structure of organisations, including HR policies and practices, and the agency and potential intention of employees to interpret and implement HR policies and practices differently according to their cultural values.

The discussion until this point has focused on IHRM and the impact of national cultural factors on IHRM in the literature. It has been established that national cultural differences can exert influence on respective HR policies and practices within TNCs, and that these HR policies and practices indeed differ significantly. The next Chapter will engage with the key contemporary Chinese cultural values which have been defined in literature, and will discuss the relationship between these cultural values and HR policies and practices within TNCs in China.

## **CHAPTER THREE**

### **CHINESE CULTURE AND HRM IN CHINA**

#### **3.1 Introduction**

The importance of the impact of national culture on HR policies and practices has been highlighted from the literature review of IHRM and Cross-cultural Management in Chapter Two. This Chapter focuses on the discussion of national culture and HRM systems in the Chinese context. An overview of the Chinese economy and cultural development is outlined in Section 3.2. In the past two decades, the economic development of China has been characterised by the mass-scale downsizing of state-owned enterprises (SOEs) and the fast-growing share of foreign-invested enterprises in the country. The pervasive Chinese cultural values, such as Confucianism, *guan-xi*, and the importance of the ‘*human factor*’, are discussed in detail in Section 3.3. As with other nations, China has deeply embedded values that influence the ways in which the Chinese perceive and think about the world as well as the ways in which they behave within that world. The HRM systems and principles in China, and the impact of Chinese cultural values on the systems and principles are discussed in Section 3.4 and 3.5, respectively before summarising the Chapter.

#### **3.2 Background review of the country**

China is one of the oldest civilisations and is the largest country in terms of population. The country has been governed by the Communist Party since 1949 and has experienced two major cultural and economic changes since then. The Party under Mao Zedong established a system which was highly controlled in terms of economy, education, employment, etc. Since the late 1970s, the Chinese economy has gradually changed from one based on Maoist principles, from central planning, to one based on market socialism which was advocated by Deng Xiaoping.

The percentage of the total gross value of industrial output which was contributed by Chinese SOEs decreased from 80 to 13.7 in the past three decades (*China Statistical Yearbook 2009*), however, SOEs still weigh heavily on the Chinese economy. Chinese SOEs still dominate vital industries, such as oil and gas exploration and production, financial services and telecommunications, and the culture of SOEs remains a major influence in the country. Moreover, political controls in the country, especially in SOEs,



remain tight even while economic control continues to be relaxed (Tayeb 2005). For example, a Communist Party hierarchy still exists in the SOEs (Li *et al.* 2008). Although there are trade unions in China, differing from those in the Western countries or other democracies, they are not independent organisations (*Ibid*).

Since China entered the World Trade Organisation (WTO) in 2001, the country has increasingly become involved in global business. The non-state sector in the country has been expanding and now provides a large part of production and employment (Cooke 2005). Among the non-state companies, foreign enterprises invested \$95 billion in China and made the country the world's second foreign direct investment recipient (after the USA) and the top recipient among developing countries in 2009 (*World Investment Report 2010: 4*).

Although the country has been affected by the current global financial crisis, nevertheless, the National Bureau of Statistics of China reported that the Chinese gross domestic product (GDP) had accelerated to 9 percent in 2008 (*China Statistical Yearbook 2009*). The GDP per capita of the country was about \$3,315, and the number of rural poor living below the official poverty line fell to 40 million in 2008, from 250 million in 1978, when the government began market-oriented economic reforms (Asian Development Bank 2009). However, income inequality is one of the key concerns of the government. The former Chinese Premier Minister, Wen Jiabao, emphasised the issue in an interview with a CNN journalist:

*Although China has a population of 1.3 billion and although in recent years China has registered fairly fast economic and social development since reform and opening up, China still has this problem of unbalanced development between different regions and between China's urban and rural areas. China remains a developing country (Zakaria 2008).*

For example, the income ratio between urban and rural residents in China, has widened from 2.9:1 in 2001 to 3.31:1 in 2008 (Asian Development Bank 2009). China's telecommunications infrastructure is newer and better than that in most parts of the USA, while at the same time roughly 300 million Chinese live on less than \$1 a day,

according to the World Bank (The World Bank 2009), and the disparities are not likely to disappear soon.

The fast economic development of the country is largely due to two main factors: foreign investment incentives which are encouraged by the Chinese government and the abundance of cheap labour in the country (Cooke 2004). From the early 1980s to the mid-1990s, the Chinese local government heavily influenced the business operations of foreign-invested enterprises in China (Cooke 2005). After the late 1990s, the local government role has gradually changed from interfering to being supportive due to the fast development of high-profile foreign-invested enterprises, as these companies brought in well-developed management strategies and principles that the local government and companies can learn from (*Ibid*). Smale (2008) argues that foreign-invested enterprises in China represent the main drivers of economic development and modernisation in China, as these companies have been transferring their technology and management methods to the country (Warner *et al.* 2002).

For these foreign enterprises, such as TNCs, financial issues are not the key concern when they develop business in China. Instead, Chen (2001: 17) pointed out that China *'is seen as the most foreign of all foreign places. Its culture, institutions, and people appear completely baffling – a matter of absolute difference, not of degree'*. These cultural, institutional differences make China a challenging market for the foreign enterprises, because these companies have to face and operate in a business environment which differs from their own countries in many ways (Sergeant and Frenkel 1998; Child and Tse 2001; Selmer 2006; Björkman *et al.* 2008).

### **3.3 Chinese cultural values**

Chapter Two has provided a critical review of cultural dimensions which are defined by reputable cultural scholars (Hofstede 1980, 2001; Hall and Hall 1990; Trompenaars and Hampden-Turnce 2004; House *et al.* 2006). Thus, this section will examine national culture further in the Chinese context.

Researchers have also been spending a great amount of time researching Chinese cultural values. Culture is a social construct, as Hofstede (1980, 2001), Tayeb (1996) and Adler (2001) asserted, a manner that societies have in developing norms and rules

to make sense and organise their surrounding reality. It can be argued that most countries today, as in the case of China, are encompassed by heterogeneous groups of people coming from different cultures at different times in their history, making it very difficult to examine Chinese culture as a whole entity. In this section, Confucianism, *guan-xi*, and the importance of the ‘*human factor*’ are selected and discussed.

### **3.3.1 Confucianism**

Bond *et al.* (1987) found that the historical root of Chinese culture is the Confucian traditions and argued that Confucianism which emphasises thrift and perseverance, virtues associated with long-term orientation gives origins to China.

Confucianism had and still has a tremendous influence on Chinese thinking and behaviour. Confucius (551-478BC) lived in a time of political turbulence with a decline of traditional values. Therefore, he was greatly concerned with building a well-governed state with harmony between the individual and the society. He did not invent a new philosophy. Instead, he merely considered himself as a protector and mediator of traditional doctrines and rites. The philosopher stressed the role of education and virtue for a moral society and developed their thoughts in discussions with their disciples (Chen 2001). He did not put the principles of his philosophy into writing; his work was mainly compiled by his disciple – Mengzi (Chen 2001).

Albrecht (2001: 233) summarised that:

*‘The fundamental Confucian assumption is that men only exist in relationship to another. It is considered natural that these relationships, even those between friends, are hierarchical and based upon seniority. Women are only marginal figures. In fact, the Chinese conceptual framework of behaviour shows its unique delicacy in well-developed power games between friends, colleagues and enemies. The ‘Western’ concept of the omnipotence of the individual is alien to the Chinese, who define themselves in an interactive context. With benevolence as the central concept and ‘loving other men’ as its starting point, it embraces the spectrum of daily human virtues, valuing childlike love, courteousness, decency, honesty, fidelity,*

*fraternity, truthfulness, and the sense of shame - the Eight Rules of civilisation.'*

Moreover, Confucius' thinking has advanced to the state doctrine and has exerted a powerful influence on the Chinese society for more than 2000 years. The philosophy conceived to restore social order at a time when a strong central authority was missing, Confucianism aimed at the self-government and self-regulation of the people (Chen 2001). This was achieved through its prescription of a hierarchy of fixed moral and social roles that determined all levels of social interaction and behaviour (*Ibid*).

According to Tian (2007), the Confucian values encompass *moral cultivation, family and interpersonal relationships, respect for age and hierarchy, harmony, and face* (dignity or self-esteem). It is worth noting that the *moral cultivation* of Confucianism emphasises that people should discipline themselves by internal moral power rather than by external power, such as laws and regulations, as moral cultivation is considered as the main discipline to people's attitudes and behaviour (Tian 2007). Confucianism requires people to act as gentlemen (*jun-zi*) with the so-called Five Constant Virtues (*wu-chang*): human-heartedness and benevolence (*ren*); righteousness and justice (*yi*); propriety, rituals and rules of conduct (*li*); wisdom (*zhi*); and sincerity and trust (*xin*) (*Ibid*). According to Confucianism, people can become gentlemen only through the learning of the Five Constant Virtues (*Ibid*). The implication of the Confucian moral thinking is two-fold. Firstly, people should have high moral standards cultivated throughout their lives and these standards can be influenced by self regulating moral mechanisms (Faure and Fang 2008). Secondly, Confucianism addresses the power of human beings, that is, the country is regulated by the rule of man rather the rule of law (Faure and Fang 2008).

Family and interpersonal relationships are termed as *guan-xi* in the Chinese culture and they are reciprocal (Luo 2000; Ambler *et al.* 2009). *Guan-xi* is perceived to be critical in the Chinese context as business and personal relationships rely heavily on it to bypass tensions and/or difficulties (Hutchings and Murray 2002, 2003; Björkman *et al.* 2008). *Guan-xi* will be elaborated in Section 3.3.2.

Furthermore, as characterised by Confucianism, *respect for age and hierarchy* should be persistent in working relations and even family relations (Shenkar and Zeira 1990). Hofstede (2001) argued that belief in a hierarchical management system is typical of a cultural system that is high in power distance. Authority power of superiors in Chinese organisations is characterised by power distance, which represents an autocratic style of leadership (Li 1999). Albrecht (2001) also argued that the Chinese have a distinct fear of authority, which is mirrored in the arrogance of the powerful. The power distance is, on the one hand, politically paralysing so that decentralisation and delegation of authority are difficult to accomplish (*Ibid*). On the other hand, the absence of power structures fosters chaotic tendencies (*Ibid*). In this manner, Individual thinking and responsibility are often discouraged, and rules and regulations are habitually and forcibly observed. In the high power distance culture, inequality of power and clear status symbols are accepted (Hofstede 2001), for example, subordinates are not willing to question their managers' instructions. However, this is not to say that in companies in China there is no participation and open discussion of issues. As Gamble and Huang (2009) found, the most predominant management style tends to be autocratic, with clear lines of responsibilities and authority.

In addition, the Confucian principle of *harmony* has greatly influenced the Chinese society, and this expression can be found in almost every aspect of social life in the country, including the attitude towards politics, art, and day-to-day life (Tian 2007). '*Harmony*', is what Confucian philosophy recommends for obtaining prosperity. Chinese culture places a high value on the preservation of harmony, which is said to be not only at the core of Confucian principles but also at the origin of the world. To attain harmony, individuals are expected to subordinate themselves to the good of the family (and, by extension, of the business) and adhere to the spirit of the 'middle way' (Chen 2001). At this point in time, the ideology of a 'harmonious society', which the current Chinese government claims is in development, is based on the Confucian values. In addition, it has to be clear that, although Confucianism stresses the importance of harmony, the culture of hierarchy or the high power distance still exists in the Chinese context (Wang *et al.* 2008).

It is worth noting that traditional Chinese culture, however, influences teamwork in a contemporary setting in contradictory ways (Goodall *et al.* 2007). On the one hand,

taking the collectivist orientation, *guan-xi* and concerns for harmony in Chinese culture may ease key aspects of teamwork – such as a common goals, task interdependence and group orientation. On the other hand, Confucianism emphasises on rigid social hierarchy and deference to leaders could bolster top–down control and set up strong barriers to teamwork. In this manner, it can be concluded that collectivism is not always conducive to teamwork. Goodall *et al.* (2007) argued that even if the Chinese may be ‘collectivist’ for the most part, members of different *guan-xi* networks may fight with each other in the same organisation.

According to Confucianism, if people act like gentlemen with the Five Constant Virtues, value the five cardinal relationships, respect age and hierarchy and maintain harmony, they would have *face*, otherwise, they would lose face (Tian 2007). In the Chinese context, *face* refers to one’s credit, respect, good name, reputation and dignity (*Ibid*). Confucianism believes that *face* is extremely important, and that people should feel ashamed of losing face (Wang *et al.* 2008). It is argued that *face* is used to control people’s behaviour, that is, people can gain *face* if they have proper behaviour (Faure and Fang 2008).

### **3.3.2 *Guan-xi***

*Guan-xi* indicates that people spend time and make effort to keep in contact with each other in order to establish and maintain a relationship (Tian 2007). China is a linked society, where *guan-xi* is important and plays a significant role in achieving success, using extended personal and business networks to gain advantages and cooperation to get things done (Wang *et al.* 2008). Several researchers previously analysed *guan-xi* from different perspectives. For example, according to Gouldner (1960, cited in Uehara 1995), a collectivist culture follows reciprocity norms, indicating there is an implicit agreement that binds people together. Therefore, in a reciprocal context, such as in China, *guan-xi* may carry obligations and responsibilities, and *guan-xi* is said to mean that cooperation and/or business is conducted among people who know each other. *Guan-xi* is also related with Triandis’ (1994) ‘in-group’ concept. Developing *guan-xi* seems to be the elements that help business partners to become part of each other’s in-group. Furthermore, Hofstede (1980, 2001) and Adler (2001) discussed *guan-xi* by placing cultures on a continuum of individualism at one end and collectivism at the other. According to Hofstede (1980, 2001), the Chinese culture is in a high collectivist

context, hence, it is required to have *guan-xi* when business is conducted, as well as in daily life.

Moreover, *guan-xi* may also involve friendship and emotion (Pye 1992; Luo 2000; Dunfee and Warren 2001), that is, *guan-xi* which is based on friendship is much stronger and reliable than *guan-xi* which is purely based on pragmatic motives (Tian 2007). Tian (2007) pointed out that the current literature on *guan-xi* hardly addresses the practical issue of how to exercise *guan-xi* strategically in business operations in China. It is argued that *guan-xi* in the Chinese context is personal, transferable, reciprocal, pragmatic (with the possible involvement of friendship) and ethically controversial (*Ibid*). Thus, foreign enterprises, such as TNCs, need to pay special attention on how to design specific strategies and procedures to pursue *guan-xi* with their Chinese business partners.

In the current Chinese social and cultural context, as has been widely noted, the term *guan-xi* has begun to carry some special connotations, to the extent that it is now defined by researchers as, '*relationships between or among individuals creating obligations for the continued exchange of favours*' (Dunfee and Warren 2001: 195). In other words, *guan-xi* refers to the interpersonal relationships or connections through which people involved may achieve their goals, such as political, economic and educational ones (Fang 2000). *Guan-xi* bonds individuals, mainly through the exchange of favours, and the ultimate purpose of *guan-xi* practice is to seek favours from someone so that things can be done (Wang *et al.* 2008). In a sense, *guan-xi* can be seen as a term describing a certain kind of favour-seeking social practice (Tian 2007). In short, when people receive favour from others, they are also expected to return favour to others in the future (*Ibid*).

It is debatable whether *guan-xi* practice is unique in China, but Seligman (1999) argued that the Chinese people have developed it in such a vigorous and distinctive way that they have raised it to an art form. There is disagreement over why the practice of *guan-xi* is so pervasive in China, but it is clear that, apart from the Confucian influence, Mao's bureaucratic heritage, the absence of the rule of law and the lack of free market forces in the process of China's transition to a market system are all in part responsible (Tian 2007). As discussed earlier, Confucianism emphasises the power of people rather

than the power of rules, in this manner, the interpretation of laws and regulations by people seems to be more important than the laws and regulations themselves. China is trying to establish a society which is based on the rule of law and to reduce bureaucracy in the government, and that *guan-xi* may weaken the society in the long run (Tian 2007).

It is argued that it may be questionable whether people can benefit from *guan-xi* directly, but it seems that it has certainly helped people resolve many practical problems that possibly would not have been handled effectively otherwise (Seligman 1999; Luo 2000; Ambler *et al.* 2009). Despite the obvious practical benefits of *guan-xi*, however, researchers are now deeply divided on whether it is ethical. Some consider *guan-xi* practice to be ethically acceptable in China, while others tend to believe that it is unethical and virtually equal to corruption (Fang 2000).

For example, Xin and Pearce (1996) argued that *guan-xi* seem particularly important to executives in countries without a stable legal and regulatory environment that allows for impersonal business dealings. In addition, Guthrie (1999) traced the prevalence of *guan-xi* to the problems inherent in shortage economies. Guthrie extended this position to argue that the emergence of rational law and a market economy in China are diminishing the importance of *guan-xi* in Chinese society, a position, he asserted, that underlines the institutional roots of this phenomenon.

Based on empirical data, Guthrie (1999) contended that *guan-xi* practice is diminishing in importance in China's urban industrial economy as the economic transition progresses. However, in contrast, Yang (2002) contended that *guan-xi* practice may decline in some social domains, but finds new areas to flourish, such as business transactions, and new social forms and expressions. Yang (2002) argued that as *guan-xi* practices shift increasingly into the business domain where business interests must engage with government officials who control the means to favourable business opportunities, the explicit material monetary calculations and the scale of monetary values transacted transforms *guan-xi* into the order of corruption. Given the strength of corrupt tendencies in both post-socialist Russia and China today, Yang (2002) doubted that *guan-xi* culture is being replaced by a new rational-legal regime.



The central notion for all of these scholars is that there are specific structural and institutional conditions that have given rise to the reliance on *guan-xi* to accomplish tasks in China's transforming economy, and this phenomenon has little if anything to do with the Chinese culture or Chinese society *per se*.

### ***3.3.3 The importance of the 'human factor'***

The main continuous principle of Chinese administration has been described as 'government by man', in contrast to the Roman idea of 'government by law' (Hofstede 2001). Chinese judges were supposed to be guided by broad general principles, such as those formulated by Confucius around 500 B.C. As Bond *et al.* (1987: 121) noted, 'in the Chinese cultures, rule is by the rulers, in 'Western' cultures, rule is by the rules'. In this thesis, 'government by man' is termed as the importance of the '*human factor*'. The '*human factor*' refers to the fact that some people prefer not to follow regulated rules and disciplines, rather, they would change or adapt the rules and disciplines according to different situations.

For example, the importance of the '*human factor*' is also emphasised by Jing (1995 (cited in Li 2006). 'Aviation human factor' refers to the roles, strategies and performance shaping factors of pilots, air traffic controllers, technical and support staff, and even management (Jing 1995). By investigating causes of aviation accidents in Taiwan since the 1970s, Jing (1995) found that over 70 percent of the aviation accidents were triggered by the operating mistakes which were made by pilots during flights, not by the airplane's mechanical design. Jing (1995) argued that the aviation accidents in Taiwan were associated with Chinese cultural values and norms. Jing (1995) took the tragedy in Taiwan aviation history as an example. According to the report issued by the National Transportation Safety Board, Jing pointed out that the fatal error that the pilots made before the airplane crashed was that the pilots pressed 'automatic' and 'manual' operation buttons one after another, twice. The conflicting messages sent by the pilots confused the aviation system of the airplane and caused the tragedy. At that time, all airplanes were imported from the 'Western' world to Taiwan. The Taiwanese pilots had been rigorously trained in the use of the 'Western' aviation operation menu. The 'Western' aviation system is famous for its accuracy and every single operational step is written in detail and instructed. Taking the aviation accident in Taiwan for example, Jing contended that the Taiwanese pilots had been highly influenced by Chinese cultural

values since they were born, rather than by the Westernised professional trainings they had later on. When facing a life threatening situation, the pilots' first reaction was to trying every attempt they could, instead of following the aviation instructions which were given during the flight trainings. Therefore, it seemed that the '*human factor*' had been already programmed in the pilots' mind and it seemed to be quite difficult to prevent human factors entering to day-to-day work. It is indicated that people tend not to follow rules and disciplines which are taught, rather people attempt to use their instinct or cultural habits to deal with problems.

Moreover, Albrecht (2001) argued that rules are not as important as personal relations; individuals are not managers or representatives of remote institutions, but friends, brothers, sons, or persons of unique personal importance with special claims on emotional involvement.

#### ***3.3.4 Political culture and the development of Chinese culture***

In addition to the Chinese traditional Confucian culture, the Chinese political culture, such as Mao Zedong's bureaucratic system and Deng Xiaoping's pragmatism, also exerts its influence on the contemporary Chinese culture (Tian 2007). Mao Zedong's bureaucracy is characterised by three features. Firstly, as stated in the Chinese Constitution, the country is under the governance of the Communist Party (Tian 2007). Secondly, during the economic central planning era, various ministries and agencies were generated to take charge of economic activities, such as electronics, textiles and energy (*Ibid*). These ministries and agencies controlled a distinctive set of resources and enjoyed a certain degree of autonomy, therefore they bargained with each other over the allocation of the resources under their control (*Ibid*). Thirdly, Mao Zedong's bureaucracy can be seen as the art to survive in the bureaucracy and to avoid responsibility and risk (*Ibid*). Power seemed to be everything in the political system, and the government officials tried hard to avoid making mistakes in order to remain their positions during Mao's period (*Ibid*).

Deng Xiaoping started market-orientated economic reforms in China in the late 1970s. Deng Xiaoping promoted pragmatic ways of thinking within the Party leadership, which has fundamentally changed the political beliefs, attitudes and feelings of Chinese society at large ever since (Wang *et al.* 2008). Deng Xiaoping's pragmatism emphasises

the importance of practising theory and outcomes rather than approaches (Tian 2007), as Deng Xiaoping always said: '*White or black, it is a good cat as long as it catches mice*'. In Deng Xiaoping's view, China needed to mainly focus on its economic development and modernisation; and any possible approaches could be adopted, such as market mechanisms, a capitalist method of business development and management systems (*Ibid*).

Moreover, Faure and Fang (2008) argued that the Chinese culture has been changing gradually. While national cultures undoubtedly 'generate predispositions towards certain behavioural patterns' (Child and Markoczy 1993: 622), it is evident that changes to structural and organisational features can have an impact on apparently deep-rooted cultural values. This indicates the nature of 'culture': cultural values are not static and unchanging as, for instance, Hofstede's (1980, 2001) model appears to suggest, but a shifting, fluid repertoire 'in which existing meanings are constantly being contested in rough-and-tumble fashion, renegotiated, and redefined by the parties' (Bate 1997: 1159). Ralston *et al.* (1999) found that the young and well-educated Chinese people and those in coastal regions of China have more opportunities to be exposed to economic and social development that has led towards a more individualistic and materialistic cultural value system. Gamble (2006) also observed that Chinese managers aged 40 years old or younger appear to be of more an individualistic nature than their older colleagues. New generations of managers may indeed show as much obeisance to the Confucian values as those in past days; many surveys seem to suggest that they take on new norms but hold on to core values. Such values, although they do change, may seem to be remarkably stable around the world. Chinese cultural values have clearly kept a very tight grip on those brought up on them (Goodall *et al.* 2007).

This section has discussed the Chinese cultural values, and the next section will further focus on China, in relation to the HR policies and practices that are adopted in the country.

### **3.4 HRM in China**

Chinese SOEs once dominated industrial production in the country (Warner 1996). The employment in SOEs was called '*iron rice bowl*' which ensured life-long employment and welfare for the employees in SOEs (Lu and Björkman 1997). Deng Xiaoping

contended that such firms should also produce goods on a substantial scale for export (Naughton 1995). The SOEs have become more independent and have more autonomy, particularly towards HRM issues such as staffing and reward management (Child 1994). The SOEs are under pressure to compete profitably with domestic private companies and foreign enterprises, and the downsizing of their workforces is a prerequisite for an improvement in their competitiveness (Warner *et al.* 2002).

A labour contract system was first developed in China in 1986 and controls over recruitment were substantially removed (Warner 2004). In this manner, both employees and employers have freedom to choose which company to work for and who to recruit. Later, in 1995, the Labour Law introduced written employment contracts for all individual employees in China, as well as a new wage and welfare system which is based on company productivity and individual performance (Hassard *et al.* 2006). It is required that labour contracts need to contain provisions covering description of tasks, working conditions, compensation and benefit information and labour disciplines (*Ibid*). The Labour Law formalises the labour contract system in China, and it is indicated that a former central planning employment system has been gradually transformed into a more market-oriented, extensive labour contract system (Warner 2004). More recently, the new Labour Law which is introduced in 2008 is designed to contain more protection for employees in China (*The Labour Law of the People's Republic of China* 2008). For example, it requires that a company must sign a permanent contract with the employees who have already had two fixed-term contracts within the company, if the employees do not breach any related legal regulations and they are still physically employable (*Ibid*).

In addition, since China joined the WTO in 2001, there is increasing pressure from international organisations, such as the International Labour Organisation (ILO) and the International Confederation of Free Trade Unions (ICFTU), with regard to the issues of labour rights and social protection in China (Zhu and Warner 2004). These international labour standards and frameworks make Chinese domestic employment relations systems more complicated (*Ibid*).

Cooke (2005) argued that some of the specific HRM changes which have taken place following the economic reforms towards a more market-orientated economy include: the replacement of former centralised labour allocation system with more localised and

flexible staffing options (e.g. labour bureaux, collective enterprises, self-employment); the linking of collective and individual wages and benefit with enterprise performance, and organisation autonomy in determining wage distribution; greater opportunities for training and career development, based on identified employee potential and the gradual adoption of modern HRM theories and concepts.

Zhu and Warner (2004) found that the companies which have experienced internationalisation and have developed modern management structures, such as the companies that transformed from state-owned enterprises (SOEs) to joint stock enterprises and the companies that have less influence from the traditional state central planning strategy, are more likely to have proactive HR policies and practices. Zhu *et al.* (2007) argued that these HRM reforms in China are not based on a homogeneous model of HRM, rather the HRM strategies and approaches are developed according to their existing business environment and the impact of the economic reforms in the country.

These developments have been inspired by the government's liberalising reform imperatives, but they have also been facilitated by a new generation of bright and confident Chinese professionals (Chatterjee and Nankervis 2007). Indeed, along with rapid economic growth and reforms, competitive pressure compels Chinese managers to adopt modern management skills and approaches (Li 1999). The reforms of the economy and labour system have also contributed to the new strategic decision-making role of managers (Warner 2004). However, Farley *et al.* (2004) found that there are conflicts between those managers educated and raised in China and those who studied abroad and returned to China. For example, the managers who studied abroad have become more individualistic and the local Chinese managers feel uncomfortable with direct communication and proactive management approach (*Ibid*). It is indicated that employees work in a complicated situation in China due to the adoption of modern and advanced management practices in the country (*Ibid*).

The changes in organisational structures and management practices were accompanied by the structural reforms of the economy and industry in China (Warner 2004). With an increasing number of foreign enterprises managing business in China, different HR policies, practices, and people management methods will no doubt be introduced (*Ibid*). Therefore the strategy to integrate the Chinese economy into the global market place

means that engagement with the international corporate and governance sector now plays an important role in the evolution of HR policies and practices in China (Chatterjee and Nankervis 2007).

Numerous TNCs have been trying to work out their current and future HRM strategies regarding their operations in China. The study of HR policies and practices within TNCs in China have attracted the wide attention of academic researchers around the world (e.g. Child 1994; Lu and Björkman 1997; Goodall and Warner 1998; Björkman and Lu 1999; Weldon and Vanhooacker 1999; Björkman and Fan 2002; Braun and Warner 2002; Gamble 2003, 2006; Cooke 2004, 2005; Zhu *et al.* 2005, 2008; Warner 2008; Cooke 2009; Gamble and Huang 2009; Warner 2009; Zou and Lansbury 2009).

For example, Zhu *et al.* (2007) found that the demand for strategic recruitment programmes, effective staff retention and incentive schemes, together with adequate training and development programmes, make the HR functions increasingly important in China. Moreover, reward management is also undergoing reform with a trend towards performance-based policy and social benefits, such as company accommodation and free medical care (*Ibid*). This had been provided by the government before the 1980s before being replaced by a commercial housing market and contributory medical schemes (Gamble 2006).

The most renowned government agency is the Foreign Enterprise Service Company (FESCO), which was established in the early 1980s to deal specifically with issues related to staffing in TNCs in China (Tian 2007). At first FESCO dealt with recruiting junior and middle level employees for TNCs, then it focused on recruiting senior level employees, such as HR and Finance directors (*Ibid*). FESCO also provides HR administration, such as pension, healthcare, childcare, for TNCs' local employees nowadays (*Ibid*).

In addition, Child (1994) found that Chinese foreign-invested enterprises introduce a more systematic management approach in that the system was defined in writing, standardised and operated on a regular basis. Braun and Warner (2002) also found that TNCs consider HRM as a strategic function and tend to introduce 'high-performance HRM practices' which are defined by 'Western' HRM. Björkman and Fan's (2002)

finding was echoed by Braun and Warner (2002), as they also observed that TNCs attempt to develop their HR policies and practices in line with the 'high-performance HRM system'. The above findings indicate that TNCs seem to have more management autonomy and to have become a more confident and positive source of influence for all concerned. In one of the few case studies to involve an explicit longitudinal comparison, Zhu (2005: 206) also found that there is '*a trend of convergence to HR practices often employed in market economies even though the legacy of traditional practices was still apparent*' in employment in China. However, Cooke (2005) addressed the fact that these 'best practices' which are transferred from parent enterprises of TNCs need to be adapted and implemented to suit the Chinese context.

Moreover, a few studies showed that the traditional Chinese HR policies and practices, such as life-long employment and employee representation system, are relatively widespread within foreign enterprises in China. For example, Goodall and Warner (1997) found continuity in the '*iron rice-bowl*' practices in foreign-invested enterprises, as the compensation and reward practices are still based on equalitarianism rather than performance-related approach. Sanyal and Guvenli's (2000) study revealed that although foreign-invested enterprises have relative autonomy over staffing, they generally conform to local Chinese HR policies and practices with respect to employee benefits and representation, because the managers of foreign partners perceive the employee management in China to be '*complicated, unpredictable and challenging*' (*Ibid*: 65).

Moreover, Chatterjee and Nankervis (2007) pointed out that TNCs face two concerns in employing local staff. The first is the difficulty in finding the right candidates, as China's rapid economic development has resulted in a shortage of skilled local management, especially those with English speaking capabilities, and profit and market oriented business experience. The second is the lack of flexibility in recruiting workers from SOEs, as bureaucratic procedures mean that it is necessary to obtain an administrative authorisation for the transfer of individual personnel files. Compensation payments to the original company for the economic loss that results from the departing of an employee may be needed to promote an expedient employee release. In addition, Sergeant and Frenkel (1998) and Wong *et al.* (2001) also mentioned that along with the increasing job mobility in China, employee retention becomes a key concern to TNCs.

According to a Leininger's (2004) survey, the main reason for local Chinese employees leaving their jobs is to find a better-paid one. It is indicated that TNCs can offer competitive compensation and considerable fringe benefits, such as housing, company cars, pensions, and overseas trainings, in order to attract and retain talented employees in China (Björkman and Fan 2002; Tian 2007).

Cooke (2004) found that the HR policies and practices in a TNC in China are mixed with Chinese cultural characteristics (e.g. paternal social benefits) and modern management approaches (e.g. team-work, employee empowerment). Cooke (2004) also emphasised that TNCs' operations in China are very complicated and that a more measured approach is needed in order to gain an in-depth understanding of their adoption of HR policies and practices. Moreover, Gamble (2006) pointed out that although standardised HR policies and practices are successfully transferred from the parent enterprise of the participating TNC, the policies and practices, such as a flat organisational hierarchy, may conflict with Chinese high power distance culture in the near future. Thus, questions regarding HRM within TNCs in China, such as, how successfully parent enterprises of TNCs can transfer their global HR policies and practices to their Chinese affiliates (Warner *et al.* 2005), how local Chinese employees perceive these policies and practices (Cooke 2005), and how far the substance of these policies and practices can be transferred in the Chinese context (Gamble 2006), are addressed by researchers.

HRM in China is also facing uncertainties, such as the rapidly changing labour legislation in different business structures (e.g. SOEs, collectively owned enterprises (COEs) and TNCs)), and the challenge of clarifying HR policies and practice through standardisation (Cooke 2005). Therefore, Chatterjee and Nankervis (2007) argued that the institutional and cultural issues in China make HRM a particularly complex and challenging task for TNCs, thus HR professionals and researchers may need to go beyond keeping abreast of the current changes, and develop a vision for future change based on reconciling diversity in international and Chinese organisational and employee needs.

Ding *et al.* (2000) reported that 'iron rice bowl' practices have come to an end in China. They suggested that there are noteworthy differences in HRM practices between



different ownership models. SOEs experienced the least amount of changes, postulated to be due to political and cultural influences serving as barriers to change. Ding and Akhtar (2001) suggested that convergence with 'Western' HRM practices would depend upon characteristics such as organisational size, age, ownership, the role of HRM within the firm, and the organisation's competitive strategy. Ding *et al.* (2001) tested the depth of HRM convergence, and in six township and village enterprises (TVEs) find a degree of convergence with 'Western' practices. They postulated changes are due to government-introduced reforms (i.e., property rights) and introduction of open market reforms. Building upon data collected for an earlier study, Braun and Warner (2002) put forth that HRM in MNCs operating in China has seen the HRM function elevated to the level of strategic importance.

Furthermore, Lee (1987) argued that the socialist system which was adopted by the Chinese government had also an impact on HR policies and practices in the country. For example, a central belief of the socialist system was that a worker has a right to a job and its associate benefits (*Ibid*). The Chinese state-owned enterprises approximated the institutions of societies, providing for all the workers' needs, such as food, housing, and hospitalisation (Warner 2002). These characteristics of socialist organisations created a psychological contract between employees and the firm that differed dramatically from the 'Western' capitalist model. That is, employees under state socialism were encouraged to receive their relationship with the organisation in long-term socio-emotional terms that included commitment and loyalty, consistent with the collective interest.

### **3.5 The impact of Chinese cultural values on HR policies and practices within TNCs in China**

As mentioned in Chapter Two, it is argued that national culture accounts for work values, beliefs and behaviour of employees in different countries (Hofstede 2001). A range of HR researchers also argue that the conventional HR policies and practices in China are shaped by the influence of Chinese cultural values, socio-economic factors and China's legal framework (Easterby-Smith *et al.* 1995; Tayeb 2003; Gamble 2003, 2006; Chatterjee and Nankervis 2007). TNCs tend to maintain consistency in their HR policies and practices; meanwhile, they need to adapt these policies to the cultural requirements of different countries (Laurent 1993). For example, traditional local

Chinese companies, especially SOEs, provided for all workers' needs, such as food, housing and hospitalisation (Warner 2002).

The existing literature on transferring HR policies and practices from TNCs' parent enterprises to their Chinese affiliates supports the assumption of cross-cultural differences in IHRM. For example, Child (1994) found that the implementation of reward management and staffing policies is easier to achieve than the implementation of performance appraisal and career development policies, in the participating foreign-invested enterprises. Child (1994) assumed that the reason for having a different success rate of HR policies, is that the performance appraisal and career development policies which are introduced by 'Western' business partners cause conflict with the collective culture in China.

In addition, Lu and Björkman's (1997) research showed that the staffing and training in the foreign-invested enterprises in China seem to be less culture-bound than the career development, performance appraisal and reward management policies. Björkman and Lu (1999) found that the success rate of team-building and mentoring practices is quite low in most TNCs, because expatriates do not develop informal and personalised *guan-xi* with their local colleagues in China. Chatterjee and Nankervis (2007) also argued that HR policies and practice within TNCs in China is heavily affected by the traditional Chinese cultural values, such as *guan-xi*, *face* and *harmony*.

Although there are minor differences among the findings from HR researchers, Braun and Warner (2002) argued that High Performance HRM practices have been harmoniously introduced in wholly-owned foreign-invested companies in China. Björkman and Fan (2002) also found that the HRM strategies from parent enterprises of foreign-invested enterprises have a positive effect on their Chinese affiliates' overall performance.

However, Easterby-Smith *et al.* (1995: 56) emphasised, '*there are strong cultural factors which limit the adoption of many features of HRM in China*'. For example, Chatterjee and Nankervis (2007) addressed that motivating and retaining employees by monetary methods alone is not likely to work in a context where a high value is placed on interpersonal relationships in the workplace. In light of the high social value placed

on the workplace in China, the provision of quality and safe working environments, career planning and staff development programmes, especially high status overseas training and job rotation, are very useful ways to foster staff motivation and retention. In addition, keeping staff informed of specific succession plans within prescribed timeframes can further contribute to organisational loyalty.

Research has shown that workers from countries with a larger power distance culture are less likely to voice their concerns to their colleagues as well as their managers, because they are socialised to avoid direct conflict with other people and to uncritically receive and obey orders from their bosses (Hofstede 1991). For example, a survey conducted in 71 Chinese firms revealed that among the ten indicators of total quality performance, namely leadership, processes, policy and strategy, impact on society, customer satisfaction, people management, supplier quality, employee involvement, quality assurance, and business results, employee involvement is the dimension that received the lowest rating (Hua *et al.* 2000). Similarly, based on data collected from 112 small Chinese firms with total quality management (TQM) practices, Lee (2004) found that only 47 percent of the firms adopt employee involvement programs. The unsuccessful implementation of and reluctance to adopt TQM-related employee involvement may have to do with the misfit between employee involvement practices and high power distance culture in China. These results suggest that in order to use employee involvement activities to encourage more voice behaviour in countries with a large power distance culture such as China, managers should establish a climate of participation in the first place to reinforce the message of employee participation. Noronha (2002) consistently noted in his qualitative study that to ensure the successful implementation of total quality management practices in the Chinese cultural context, managers should be open-minded towards the opinions of employees and create a climate of collective decision-making. Research to substantiate some of the claimed benefits of total quality management, including the reduction of organisational silence within the Chinese context, would be desirable.

Thus, it is vitally important for managers to encourage more employees to voice their concerns, opinions, and dissenting views about their organisations. The globalized business environment presents new challenges to TNCs which desire to reduce

organisational silence and promote innovative behaviour in culturally diverse nations (Huang *et al.* 2005).

Research on the role of *guan-xi* in labour market processes has formed a well-beaten path. For example, Easterby-Smith *et al.* (1995) argued that there is effort to maintain harmonious relationships between subordinates and superiors during the performance appraisal process within TNCs in China. In addition, Bian (2002) found that *guan-xi* remains a persistent and important factor in the allocation of jobs in urban China. Based on an in-depth study of 100 job seekers, who acquired 392 jobs between 1992 and 1997, Bian found that more than half of these job shifts use *guan-xi* (i.e., ‘strong’ as opposed to ‘weak’ ties) to gain employment. Bian argued that there are still many ‘institutional holes’ in the Chinese labour market, and with the lack of formal institutions by which labour markets operate, individuals still rely on their social networks to gain advantages in the employment process. Hanser (2002) also used an in-depth interviewing methods and a rich repository of qualitative data to explore the salience of *guan-xi* among urban youth in China in the 1990s. Contrary to Bian (2002), Hanser (2002) found that individuals do not rely heavily on *guan-xi* to secure jobs in urban China today. In line with Guthrie’s (1999) position on the issue, Hanser argued that when individuals do talk about *guan-xi*, they are generally talking about social ties that generate no sense of reciprocal obligation (such as simple advice or information exchanges), rather than the instrumental use of their social ties in the gift economy. However, Chow (2004) found that *guan-xi* is still adopted when practising staffing in TNCs.

Furthermore, Tian (2007) pointed out the importance of *guan-xi* in employee retention. It seems that Chinese employees value *guan-xi* with their colleagues and managers more than employees in other countries do (Tayeb 2005). As far as retention is concerned, Chinese employees tend to develop a positive and trustful relationship at work (Tian 2007). It is reported that one of the main reasons that Chinese employees leave a company is because they lose interest and/or confidence in their colleagues and/or managers (Melvin 2000). Tian (2007) found that the cultural difference between the ‘Western’ countries and China poses a severe challenge to ‘Western’ expatriates and their families in China and is one of the key reasons that the expatriates suffer from failure in the country. These cases highlight the fact that an understanding of the

Chinese culture and the Chinese way of thinking is integral to HR policies and practices within TNCs.

Wong *et al.* (2010) also find that a higher level of trust in supervisors is seen as experienced when employees have better subordinate–supervisor *guan-xi*. Given these findings, the researchers claimed that management should encourage the development of such *guan-xi* to achieve the desirable outcomes. The research demonstrates that, the influence of the traditional work culture of *guan-xi*, as well as Chinese employees' values vis-à-vis trust in the workplace, are core HRM concepts in the study of work behaviour.

Farley *et al.* (2004) indicated that TNCs which stay longer in China have a better understanding of the local cultural context, and are more likely to modify and develop HR policies and practices which suit the needs of local employees. The HRM system within TNCs in China appears to be a hybrid form (Cooke 2005).

### **3.6 Summary**

This Chapter has analysed the national culture values and HRM systems in the Chinese context. The discussion of the Chinese economic, political and cultural background set up the picture for HRM in China and the impact of Chinese cultural values on HR policies and practices within TNCs in China. It has shown that TNCs have realised the distinct cultural values that their Chinese employees have, and the companies have also attempted to capitalise on and incorporate their employees' culture values in their HR policies and practices.

As discussed in Chapter Two, this research utilise the agency-structure framework, which emphasises the interaction between individuals and their contextual factors. Therefore, this research focuses on both managerial and non-managerial employees' perceptions and views on the Chinese cultural values and the transferred HR policies and practices from TNCs to their affiliates in China, and seeks to investigate the impact of Chinese cultural values on these HR policies and practices. However, as discussed in the previous chapter, agency and structure dimensions need to be further investigated in the IHRM and Cross-cultural Management literature.

The purpose of this study is not to place Chinese cultural values in cultural dimension boxes (e.g. Hofstede 1981, 2001; Hall and Hall 1990; Trompenaars and Hampden-Turnce 2004; House *et al.* 2006) classifying them according to chosen dimensions, or predefined Chinese cultural roots. Rather, as stated earlier, this study seeks to explore contemporary Chinese cultural values and their impact on HR policies and practices within TNCs in China. The research questions therefore are:

- How do employees perceive HR policies and practices that have been transferred from parent enterprises of TNCs to their Chinese affiliates?
- Which Chinese cultural values are perceived as key factors for TNCs in China?
- How do cultural values of employees influence these policies and practices?

The perceptions and views of both managerial and non-managerial employees on Chinese cultural values are expected to help the researcher understand how the Chinese cultural values influence the HR policies and practices within TNCs in China.

The next Chapter will move to methodology discussions of the study.

## **CHAPTER FOUR**

### **RESEARCH METHODOLOGY**

#### **4.1 Introduction**

The previous two Chapters have engaged and discussed the background literature of IHRM, cross-cultural management, the Chinese culture and its impact on HRM in China. The aim of this methodology Chapter is to discuss and justify the most appropriate research method which has been applied to collect data to address the identified research questions. A discussion of research paradigms in the business management field, with particular emphasis on the constructionism paradigm in IHRM is presented in Section 4.2. The advantages and disadvantages of the qualitative and quantitative approaches are outlined. The rationale of the chosen methodology of this study is also discussed. The research design is then presented leading to discussions of interview issues, such as company access, sampling strategy, data analysis, the role of the researcher, in Section 4.3. The detailed information of the participants of this research is discussed in Section 4.4 before summarising this Chapter. This Chapter is concluded as a part of the prelude to presentation of the empirical Chapters.

#### **4.2 Research methodology and choice of method**

The research methodology involves ‘*the nature of research design and methods*’ (Sarantakos 2005: 30). The methodology of a piece of research normally clarifies the philosophies and methods of research in order to clearly expound the valid relationship between research objectives and investigated conclusions of research (*Ibid*). In this section, some critical methodological issues are presented, and then an appropriate methodology which can be applied to this study is discussed.

##### **4.2.1 Research philosophy**

In Business and Management research, there are numerous philosophical paradigms that show how scientific research should be carried out (Anderson 2004; Bryman 2008; Collis and Hussey 2009). A paradigm includes three elements: ontology, epistemology and methodology (Mason 2002).

Ontology is a study of nature of being and existence, or the assumptions people make about reality (Mason 2002; Bryman 2008). Bryman and Bell (2003) pointed out that the

key argument of ontology is that social entities should be considered on the basis of reality or of people's perceptions. Epistemology deals with how people perceive the world and what is or should be regarded as acceptable knowledge in a discipline (Bryman 2008). Researchers attempt to make a general set of assumptions about the best ways of inquiring into the nature of the world. Methodology, which is influenced by epistemology and ontology, deals with how researchers gain knowledge of the world (Bryman 2008; Collis and Hussey 2009). It is a combination of techniques which is used to enquire into a specific situation (Mason 2002).

Mason (2002) suggested that a paradigm is the philosophical fundamental basis of research and it is important to know both limitations and potentials of different forms of research. Table 4.1 summarises the characteristics of three philosophical paradigms – positivism, constructionism and critical realism, from the perspectives of ontology, epistemology and methodology.

	<b>Ontology</b>	<b>Epistemology</b>	<b>Methodology</b>
<b>Positivism</b>	Realist. Reality exists out there and is driven by immutable, natural laws and mechanisms. Knowledge of these entities, laws and mechanisms is conventionally summarised in the form of time and context free generalisations. Some of these generalisations take the forms of cause effect laws.	Objective. It is both possible and essential for the inquirer to adopt a distance, non-interactive posture. Values and other biasing and confounding factors are thereby automatically excluded from influencing the outcomes.	Experimental. Questions and/or hypotheses are stated in advance in propositional form and subjected to empirical tests (falsification) under careful controlled conditions.
<b>Constructionism</b>	Relativist. Realities exist in the form of multiple, mental constructions, socially and experientially based, local and specific, depending on their form, content and the persons who hold them.	Subjectivist. The inquirer and the inquired are fused into a single entity. Findings are literally the outcome of the process of interaction between the two.	Hermeneutic. Individual constructions are elicited and refined hermeneutically, and compared and contrasted dialectically, with the aim of generating one or a few construction(s) on which there is substantial consensus.
<b>Critical Realism</b>	Critical realist. Reality exists, but can never be fully apprehended. It is driven by natural laws that can only be incompletely understood.	Modified objectivist. Objectivity remains a regulatory ideal, but it can only be approximated, with special emphasis placed on external guardians such as the critical tradition and the critical community.	Modified experimental. Emphasise critical multiplism. Redress imbalances by conducting inquiry in more natural settings, using more qualitative methods, depending on more grounded theory, and reintroducing discovery into the inquiry process.

**Table 4.1 Ontology, epistemology and methodology**  
(Source: Easterby-Smith *et al.* 2002; Flick 2007; Bryman 2008)



According to Anderson (2004), the dominant stream of HRM research is based on positivism. Positivism was firstly encapsulated by a French philosopher - Comte (1853). Comte (1853) contended that there is no real knowledge that is not based on observed facts. The key idea of positivism is that researchers are detached from external reality; the properties of reality can '*only be measured through objective measures, rather than being inferred subjectively through sensation, reflection or intuition*' (Easterby-Smith *et al.* 2002: 28). Collis and Hussey (2009) also argue that positivism aims to discover theories and it is based on empirical research. Bryman (2008) summarised several assumptions of positivism: only knowledge of phenomena confirmed by the senses can be warranted as knowledge (phenomenalism); theories are used to generate hypotheses that can be tested and allow explanations of laws to be assessed (deductivism); knowledge can be produced by collecting facts that provide the basis for laws (inductivism).

There are another two major paradigms and they are constructionism and critical realism. Constructionism, as opposed to positivism, believes that '*reality is determined by people rather than by objective and external factors*' (Easterby-Smith *et al.* 2002: 30). The focus of constructionism is on what people feel and think, rather than the collection of facts (*Ibid*). Constructionism recognises social conditions as having real consequences whether or not they are observed and labeled by social scientists; but it also recognises that concepts are human constructions (Bryman 2008). In other words, constructionism contends that people, institutions and interactions are involved in producing the realities in which they live or occur and that these productive efforts are based on processes of meaning-making (Flick 2007).

Critical realism makes a conscious compromise between the extreme positions (Easterby-Smith *et al.* 2002), and it admits that the world is imperfect and should be observed in a modified approach (Bryman 2008). Critical criticism also acknowledges that '*management researchers can not directly know reality but they can study the world 'as if' they can - the knowledge of reality can be good enough*' (Maylor and Blackmon 2005: 157). The reason is that human senses do not always accurately represent external objects and events (*Ibid*). For example, there may be perceptual illusions that prevent people from making perfect judgments that reflect the reality

accurately. In other words, critical realism acknowledges that reality is not objective and independent and is related with people's perceptions and cognitions (Archer *et al.* 1998).

As described in Table 4.1, social research can be classified according to the process of research, which then provides certain guidelines to specify the techniques of and ways in which research should be conducted and analysed (Ticehurst and Veal 2000; Sarantakos 2005). There are two types of research methods: quantitative and qualitative methods, which can be adopted in different research process.

Quantitative research has the advantage of being objective, concrete and rigorous, and the process is replicable and the data collected normally have good validity (Bryman 2008). Quantitative data can be gathered by different approaches of survey, such as telephone surveys, postal and internet questionnaires.

However, quantitative research has its limitations. The critique of purely quantitative research has begun since the 1950s (Silverman 1993). First of all, the sample of quantitative research must be sufficiently large enough to generalise research results; there are data collection and processing constraints (Collis and Hussey 2009). Secondly, quantitative research has statistical constraints and may not interpret a complicated situation properly (*Ibid*). Researchers need to include relevant variables and exclude all irrelevant variables which can be difficult in practice (Bryman 2008). The explanatory power of quantitative method depends heavily on the specification of the model (Hussey and Hussey 1997). The tool of knowledge extraction in quantitative method is based on observation and experience, and the methods and findings of research should be investigated by a rigorous statistical design (Sarantakos 2005). In business research, the quantitative method relies on existing theories, and then empirically tests the hypothesis by using statistical techniques (Collis and Hussey 2009).

Furthermore, Bryman and Bell (2003) argued that difficult mathematics and statistical tests may not always serve as useful suggestions of good research. Good research should be both rigorous and closely related to real practical problems, especially management research (*Ibid*). Therefore, a qualitative approach which is based on the belief that social behaviour can be observed and studied in ways that focuses on inner

meanings and new insights (Ticehurst and Veal 2000), can complement the limitation of quantitative approach.

Qualitative methods are usually adopted in substantive research areas which are little known (Stern 1980). The strengths of qualitative study are attributed to the fact that the data comes directly from the participants who are involved in the related phenomenon (Mason 2002). Qualitative methods have been useful in the study of how people make sense of their world and how they reflect on their experiences (Bergman *et al.* 2010). Qualitative data collection methods include participant observation, focus groups, interviewing and case studies (Mason 2002). However, a qualitative method may not offer a basis for rigorous generalisations, as it does not strictly require a large sample size when analysing data; thus it also may generate problems when research results rely largely on the subjective opinions of participants who are qualified to be a good sample (Collis and Hussey 2009). In addition, the findings of qualitative research may rely too much on researchers' interpretations and perceptions, therefore the research findings from different researchers can vary even if the same research procedure is conducted (Bryman 2008). Moreover, the response of participants can also be influenced by researchers in terms of researchers' age, gender, body language, personality, etc (*Ibid*).

Therefore, qualitative approach is often used in exploratory designs. Interpretive procedures that require subjective judgments and the unstructured interview format make traditional hypotheses testing difficult with qualitative research. Thus, qualitative research is not suitable for establishing the extent of phenomena and drawing definitive conclusions, as would be expected from causal designs involving experiments. These disadvantages for drawing inference, however, become advantages when the goal is to draw out potential explanations because researchers spend more time with each respondent and are able to explore much more ground and to understand specific context of phenomenon due to the flexibility of qualitative approach.

#### ***4.2.2 Choice of research methodology***

Many studies on HRM in TNCs can be critiqued for their 'thin', monochrome texture, with a reliance upon survey 'snapshots' and/or interviews with a handful of managerial staff (Ferner 1997; Gamble 2006). For example, Lu and Björkman's (1997) research showed that the staffing and training in foreign-invested enterprises in China seem to be

less culture-bound than the career development, performance appraisal and reward management policies. Braun and Warner's (2002) research indicated that High Performance HRM practices are harmoniously introduced in foreign invested enterprises in China. These findings above were based on the perceptions and views of senior HR managers and/or management members, which has been the case with the majority of research regarding HRM within TNCs in China. Although Cooke's (2004) study engaged some Chinese local government officials and non-managerial staff, the voices of non-managerial employees in the HRM academic field are largely absent.

In addition, Hodson (2005) argued that reliance on deductive and quantitative approach could lose the richness of insights which are based on direct observation of research participants. Moreover, most studies focus on developed countries (e.g. Almond *et al.* 2005), while a few studies are based upon ethnographic style research and/or seek to investigate the perceptions of non-managerial employees (Clark *et al.* 1999), especially in non-Western contexts. For example, Edwards *et al.* (2007) conducted a detailed single case study of an American TNC to examine the transfer of HR policies and practices across borders. Mtar (2007) compared eight French TNCs by longitudinal case studies to understand how French TNCs are adapting their international HR functions as they internationalise.

This study is conducted within the Chinese cultural context, which is receiving more attention but is still not clearly defined. Although TNCs have been growing at an unprecedented rate in China, the implementation and applicability of their HR policies and practices in their Chinese affiliates are still under research. The literature review has revealed that there are a limited number of studies on examining how Chinese cultural values influence TNCs' HR policies and practices in China. There is also little discussion in the literature about perceptions and views from employees within TNCs in China. Thus, this thesis is an exploratory study, and the research approach adopted for this study was to conduct semi-structured interviews with HR directors and senior managers, as well as middle managers and non-managerial employees.

This study fits well with features of constructionism paradigm due to its exploratory nature, as constructionism views reality as being socially constructed. The notion of constructionism philosophy echoes with the essence of Attribution Theory which

emphasises that reality is composed of the occurrences and objects to which people give meanings, interpreting not only their everyday experiences but also their perceptions of the events (Kelley 1973). In this manner, people can make assumptions of the other people's behaviour and place judgments of the appropriateness of such behaviour in a determined context. These different judgments are likely to affect people's actions and the nature of their social interaction with others (Kelley 1973). In this sense, people do not only interact with their surrounding environment, but also attempt to make sense of it through their interpretations of events and the meanings that they draw from events (Bryman 2008). In turn, people's actions may be seen as being meaningful in the context of these socially constructed interpretations and meanings (*Ibid*). In this manner, researchers are able to make sense of and understand participants' motives, actions and interactions in a way that is meaningful for the participants (Collis and Hussey 2009). The ontological assumption of this study is that there are cultural differences between parent enterprises and Chinese affiliates of TNCs and these differences need to be identified. However, it is very difficult to comprehensively investigate the reasons behind the phenomenon. The insight into the differences can be best obtained by interviewing employees within TNCs in China. However, employees are human beings and their perceptions may not reflect cultural reality in a completely objective and accurate way. Their perceptions are likely to be contextual and time specific. It is expected that there would be biases, values and other confounding factors. The researcher's epistemological position is that of being objective as she herself is not personally involved in the participating companies. In addition, the researcher has a background of cultural studies and experience of 'Western' cultural work practices. Thus, she can not be completely detached at later stage as she needs to interpret qualitative data; and when interpreting an exploratory study, it is unlikely to be unbiased and value free.

#### **4.3 Research design and procedure**

The research design serves the purpose of facilitating the answering of the research questions. Interview schedules are designed for collecting detailed and in-depth perceptions and views from participants. In-depth interviews with the participants focused on exploring the possible cultural factors that may cause the different HR policies and practices within TNCs in China. The degree of impact of Chinese cultural values on these policies and practices is unclear and there may be other factors. In this

sense, in-depth interviews can yield rich information. Employees' perceptions on the HR policies and practices are their opinions, so there is not a right or wrong answer.

Before conducting this study, pilot interviews were conducted with an HR Manager and a Petroleum Engineer, both with over twenty years work experience in international oil and gas operations. The aim of the pilot interviews was to test the validity and reliability of the interview questions to check if the participants understood this study. From these interviews, main issues that concerned HR professionals and non-managerial employees in the oil and gas industry were identified and confirmed. These issues and the research gaps revealed in IHRM and Cross-cultural Management literature form the base for the final interview schedules.

In this study, the key aim is to examine the impact of Chinese cultural values on the HR policies and practices within TNCs in China. The sample used for this study is the 'Western' transnational corporations and the Chinese state-owned enterprises in the oil and gas industry. The reason for targeting the companies in the oil and gas industry is that the oil and gas industry is among one of the industries that *'are either known for their quality of HRM or are actively seeking to improve the link between people management and performance'* (Purcell *et al*, 2003: 9). Hence, the researcher presumes that access to these transnational oil and gas corporations can be appropriate, as the HR professionals and management members in these corporations might be keen to develop their HRM strategies to support their business development. Moreover, the oil and gas industry is capital investment and is advanced-technology-based rather than simply low-labour-cost and value-added manufacturing and service industries. The companies in the oil and gas industry are global in scope, and are likely to have more advanced and well-defined HRM systems. In these companies, the HR policies and practices should be global in nature and be consistent with the HRM frameworks in transnational oil and gas corporations' parent enterprises.

76 semi-structured interviews were conducted in China and the UK. 23 of the interviews were conducted by the researcher face-to-face in Beijing between February and April 2008. Then the researcher returned to the UK and conducted the other 53 interviews by telephone over the period of April to November 2008. Among those participating companies, 12 companies are listed in the Fortune Global 500 (Fortune 2010), 10 of

them are also listed in the top 30 of the Petroleum Intelligence Ranks World's Oil Companies (Energy Intelligence Weekly 2010). All the participating Western transnational oil and gas corporations were from Anglo-Saxon and European countries, such as the USA, the UK, France, Netherlands. Wholly-owned Western TNCs were selected as participating companies in order to avoid possible uncertainty and interference from joint-venture partners (Farley *et al.* 2004).

#### ***4.3.1 Company access and sampling strategy***

Flick (2007) mentioned that finding access to companies, institutions or people can be a difficult and long process, and also pointed out that gaining company access is not just a step at the beginning of the research fieldwork or something that can be formalised by preparing an information flyer about research project. Rather, it is a negotiation running through several steps, facing immune reactions by the field, based on personal trust between the field and researchers, finding gatekeepers who open the doors to the field and to the right persons (*Ibid*).

Organisational access to TNCs was firstly based on lists of foreign-owned oil and gas companies that were obtained from related business publications, such as Fortune China. Then the companies which the researcher had personal contacts were approached first. Initial formal emails were sent to 12 potential participants. The email briefly explained the aim of the research and invited potential participants to take part in this research. A study information sheet (see Appendix 1) was also attached with the invitation email. All the potential participants agreed to take part in this research study. The key factors that contributed to the 100 percent response rate were: 76 participants' background search which was conducted by the researcher, connection with the participants, assuring the privacy of the researcher, and showing politeness and appreciation (Seak and Enderwick 2008).

Moreover, Purcell *et al.* (2003) contended that it would be best to work in partnership with participating companies in order to concentrate on the effectiveness, rather than be concerned simply with the number of policies each company has. The researcher promised that a research report with findings and practical recommendations would be provided at the end of the study. In this manner, the participants, especially those at the management level were more likely to tell the researcher what HR policies and practices

they considered the most important and the practical issues within their TNCs were most likely to be observed.

The initial research plan was to focus on two to three oil and gas companies in both Western transnational and Chinese state-owned categories in order to conduct detailed case studies. It was envisaged that the initial qualitative sample would include five HR professionals, five middle and senior managers, and ten non-managerial employees from each company. However, the questionnaire distribution was rejected by all potential participating companies, due to issues of confidentiality, and the researcher found it was extremely difficult to approach enough employees at different levels in the same company. This is the reason that the researcher changed her initial strategy and conducted the research through qualitative interview approach.

The interviews at the first stage were all conducted in individual offices or meeting rooms. The researcher assured the participants that this research would be conducted on a strictly confidential basis before each interview. However, the researcher felt that the participants, who were chosen by their HR Manager, attempted to keep their answers as simple and short as possible. The participants who were approached by other senior managers in their companies, were also quite cautious and sensitive when asked about HR policies and practices and cross-cultural issues at work. The researcher presumed that the participants might be concerned about confidentiality, as they were referred to the researcher by their managers. The managers might have warned the participants about the interview content, or the participants might have been afraid of disclosing their real thoughts and perceptions. Thus, the participants might have provided their answers in a conscious manner to protect company image. Confidentiality is also probably the reason that questionnaire distribution request was politely declined by company officials in the participating companies.

Therefore, the interview strategy for the second interview stage was changed to arranging interviews with professionals through the researcher's personal network, instead of being introduced by HR managers or senior managers officially. The professionals were asked to refer other managerial members whom they knew in the oil and gas companies in China and/or in their parent enterprises, such as HR directors and professionals, and senior and middle managers, as well as other non-managerial



employees, such as engineers and administrators. This interview strategy was moderately successful as most participants were willing to help in this process. Under these processes, a list of 76 participants was compiled. The use of personal networks to conduct interviews made the interview process smoother, since the personal relationship-oriented nature of Chinese society is a critical constraint when carrying out research in a group (Wang *et al.* 2007).

In this study, the aim is to elicit participants' values, attitudes and norms from their perceptions and views. It is impossible to obtain statistical representativeness by drawing random sample, as it is not practical to list all business professionals in oil and gas companies in China. For this reasons, snowball sampling strategy is adopted as a feasible mode of obtaining suitable participants. This strategy allows the collection of large amount of data about a defined set of population in an efficient way (Bryman 2008). However, the problem with snowball sampling is that it is very unlikely that the sample would be representative of the population. Thus, additional participants are traced through individual participants' networks, as the strategy relies upon the social contacts between individuals to trace additional participants (Collis and Hussey 2009). The risk of snowball sampling bias, as a result of participants being selected according to the participants' availability, was recognised. However, in order to gain sufficient research sample, this was deemed to be the most feasible methodology.

#### **4.3.2 Research method and data collection**

Although there are several typical methods used in an exploratory study, the demands of this research dictate that qualitative interview method would be the preferred way of exploring the real phenomena in the field. Interview is very a flexible method, since interview questions can be asked to participants in a more relaxed manner, and the opinions and views from participants can be described and reflected in findings (Maylor and Blackmon 2005; Guion 2006). Although interview questions are pre-planned, they are allowed to flow naturally, based on information provided by research participants (Bryman 2008). Questions may not necessarily be asked and answered in a specific order, and in this manner, participants are encouraged to express their views and perceptions freely (Collis and Hussey 2009). The flow of conversation ensures that as much information is explored as possible (*Ibid*). Under a qualitative approach, interviews are often used in exploring '*data on understanding, opinion, what people*

*remember doing, attitudes, feelings and the like, that people have in common*' (Arksey and Knight 1999: 2).

Moreover, the focus of the research based on interviews is mostly the individual experience of the participant, which is seen as relevant for understanding the experience of people in a similar situation (Bryman 2008). As Flick (2007) contended, an interview is often seen as a construction site of knowledge. The purpose of interviews is not to find a reproduction or representation of existing knowledge, which can be judged for its truth, rather it is to investigate an interaction about an issue that is part of the knowledge produced. The theoretical background of most studies that use interviews is to some extent in the tradition of symbolic interactionism - that people reflect on their life and that the form of meaning-making can be accessed as a way of understanding the issues of this reflection.

Thus, the purpose of the interview method is deemed to be well suitable for the exploratory qualitative study, which aims to corroborate and verify the relationship of the literature and the research findings, and to explore and explain contextual phenomena in this study.

The justification for adopting an exploratory research design and qualitative method in this thesis relates to, firstly, investigating the complex linkages and processes relating to HRM in TNCs in general (Ferner 1997) and to foreign TNCs in China in particular (Cooke 2004). Second, it is used to assist theory building and verification in a cross-cultural setting (Osland and Osland, 2001). Third, it is used to facilitate meaningful data collection in a cultural setting that emphasises trust and face-to-face relations (Harari and Beaty 1990). The research design of this study – using semi-structured interviews, brings the experience, feelings, and the worldview that the participants hold of their surroundings and their constructed reality.

The exploratory interviews, as well as discussions with and feedback from one HR manager and one engineer in the oil and gas TNCs in China, lead to an interview schedule with relevant interview questions. The method of collection for this thesis consists of obtaining data from employees in the oil and gas industry. Thus, there are two interview protocols relating to questions on HR professionals and senior managerial

members, as well as middle managerial member and non-managerial employees' perspectives, respectively.

The selection of the participants was carried out on a totally voluntary basis and the participants could choose the time and the place of the interviews according to their availability. All participants were targeted based on the following criteria:

- they were members of management team who were directly responsible and involved with HR policies and practices decisions and/or the effect of these decisions, such as HR directors, senior HR managers, and other senior management officers; or
- were HR professionals, such as HR officers and advisors; or
- were at middle and junior management and levels, such as production and line managers; or
- were non-managerial employees, such as engineers, technicians, administrators, etc.

Two types of interview scripts lists were developed. One was targeted at all HR professionals and senior management officers (see Appendix 4 (English version) and 5 (Chinese version)). The second list was targeted at the production and line managers and non-managerial employees (see Appendix 6 (English version) and 7 (Chinese version)).

There were a number of differences between these two interview scripts. For example, questions in Part D - HRM Approach of Company in Appendix 4 and 5, were only asked to senior management level as those questions focused on the HRM strategies of the companies. There were questions like, '*What kind of factor(s) could affect the design of the HR policies and practices in the company?*' and '*How much HRM autonomy does the company have?*', which other employees might have limited insight information. In the interviews with HR professionals and managerial members, the questions covered the history and current circumstance of the business environment of their companies in China and its effect on their HR policies and practices. Furthermore, the questions of cross-cultural differences and the way these influenced HR policies and practices were asked in detail. These interviews allowed the researcher to identify the key cultural themes.

The non-managerial employees in the participating companies were normally front-line employees and direct production workers, such as engineers and administrators. The purpose of the interview was to enable the researcher to explore understandings and explanations of why each participant gave a particular answer to various attitudinal questions. This allowed the researcher to collect a large number of quotations and to find out the participants' work values and attitudes and Chinese cultural values, which might be reflected from their values and attitudes. It would help the researcher to understand why the participants think certain aspects of HR policies and practices within the companies were positive or negative.

Each interview began with a general introduction to acquaint the participants with the interview purpose and agenda. For example, in the interview schedule with HR professionals and managerial members (see Appendix 4 and 5), Part A of the schedule introduced the research project and outlined the ethical considerations. Part B contained the questions regarding the biographical information about the participants. Then Part C started with opening questions to build rapport and allowed the participants to talk their experiences in their own words without any prompting or input from the researcher (Stake 1995; Bryman 2008). The background review of their companies was also included in the Part C. The other sections dealt with specific research questions regarding cross-cultural differences and HR policies and practices within TNCs in China (from Part D to I). For example, the participants were asked to comment on perceived cultural differences in the companies, and to give examples of HR issues that needed adaptation to fit Chinese cultural values, and more specifically, why these modifications should occur. Further questions in Part J addressed how unique an affiliate felt in comparison to others and to what extent HR policies and practices needed to be standardised globally in TNCs.

The interview questions focused on the business context and companies' background, and cross-cultural issues when implementing HR policies and practices within TNCs in China. Moreover, instead of asking the participants directly whether and how Chinese cultural values influenced their HR policies and practices, they were asked whether there were any cross-cultural problems or tensions in their companies. The participants were also asked to illustrate a few examples of cultural issues they came across. The

cross-cultural examples which were related to HR policies and practices within TNCs were then elicited. In this manner, the extent to which Chinese cultural values could exert influence on these HR policies and practices was probed.

A key issue for an investigative enquiry is its credibility and the extent to which the data that have been obtained are both relevant and valuable (Saunders *et al.* 2003). To make this assessment, it is necessary to consider how reliable and valid the data is. Reliability is the extent to which similar results would be obtained on all similar occasions (Easterby-Smith *et al.* 2002). Validity is a judgment about whether the data really provides evidence on what it is supposed to be about (*Ibid*). They are important indicators of the credibility and quality of any investigative enquiry (Bell 2001).

Since the interviews were exploratory in nature, special attention was made to avoid steering the conversation towards the researcher's personal views. Questions were asked that prompted the participants not only to discuss HR policies and practices within their companies but also to compare their cultural values with other ethnic employees and reasons behind cultural differences if there is any. Moreover, the transcribed interviews were also shown to the participants to allow for checking errors and adding information as necessary. All participants agreed with what the researcher transcribed, and made few amendments to the transcribed interview scripts, or add more information later on.

#### **4.3.3 Data analysis**

The data analysis focuses on key issues and looks for common themes, and patterns to try to make sense of the information (Guion 2006). Content analysis has been defined as '*a systematic, replicable technique for compressing many words of text into fewer content categories based on explicit rules of coding*' (Stemler 2001: 1). Content analysis is good for coding the data and identifying common themes (Denzin and Lincole 2000), and is deemed to be objective and aiming for clarity and unity (Stemler 2001). Content analysis also assists researchers to go through large volumes of data with relative ease in a systematic approach and it is useful for examining main themes and patterns in documents (Stemler 2001). Thus, content analysis was used to examine qualitative data from the interviews of this study.

The researcher did not impose any themes or topics during the content analysis process. The original data which preserved the richness of the participants' perceptions of their constructed reality, the purity of their perceptions and views, were presented to reduce the researcher's bias. Using this method, important Chinese cultural values, which influence HR policies and practices within TNCs in China were identified and noted.

Coding and categorising are ways of analysing that can be applied to all sorts of data and are not focused on a specific method of data collection (Bryman 2008). This is not the only way of analysing data, but it is the most prominent one, if the data result from interviews (Mason 2002). The purpose of these two activities is to search for relevant parts of the data and to analyse them by comparing them with other data by naming and classifying them. Through this process, a structure in the data was developed as a step towards a comprehensive understanding of the themes and issues which emerged from the data. Flick (2007) suggested that data collection and analysis can be interlinked in order to benefit insights from the analysis for the process of collecting further data.

A manual coding approach was used during the data analysing process instead of using qualitative data analysis software - Nvivo. The reason for not using the software was that the research data were transcribed in its original language - English and Chinese, which the software could not recognise both of them at the same time. The manual coding approach is a method that outlines the names and meanings given to the potential themes which are emerged from the data (Collis and Hussey 2009). By analysing the transcribed texts, the consistency of the topics emerging from the data was identified. These topics sometimes were clearly identified within the themes. In other cases, the topics evolved independently and were added to other themes.

The need for coding before analysis is necessary because a complete discourse analysis of data can never be produced (Bryman 2008). Coding otherwise can help researchers to select relevant sections of the texts which constitute the data. There are always many aspects of the discourse which is not analysed, which means that the same material can be analysed again, generating further insights (Bryman 2008).

What followed was the unpacking of these themes and their respective topics to unfold each cultural constructed reality, which was mentioned during the interviews. The data

analysis results, was a portrait which was composed by all of the pieces of puzzles for each of cultural values. Once the packing was solved, it allowed the researcher to explore the nature of these cultural values.

#### ***4.3.4 Reflexivity: the role of the researcher***

In qualitative methodology, researchers must use their own experience, imagination, and intellect in various manners (Mason 2002). Researchers, serve as a kind of instrument in the collection and analysis of data, and need to sort out data and observe emerging themes, and data must be coded according to these themes (Denzin and Lincoln 2005). Researchers use their experience and creativity to find these patterns and match them with data (Flick 2007). It is researchers' experience that helps to provide possibilities and suggestions that can help to unravel the response from participants. The unpacking process allows researchers to recognise the underlying themes and consequent organisation of data.

When conducting and interpreting the interview data, the researcher was aware of the reflexivity, which emphasises researchers' positions within research (Kamenou 2007). As such, Kamenou (2007) highlighted that different biographical backgrounds of researchers and participants, such as cultural background, gender, age, and working experience, may create a distance between interviewers and interviewees. Central for the quality of data analysis, according to Bryman (2008), is that researchers are reflexive in their practice with the data by critically assessing their own role as researchers as well as the data and the findings and conclusions drawn from them.

Flick (2007) also contended that the relationship between researchers and participants needs to develop in research study. Scholars have discussed how to establish a relation to participants that is close enough for both researchers and participants to be able to talk about sensitive or embarrassing issues, and at the same time for researchers to avoid false expectations on the part of participants (Bryman and Bell 2003). In addition, Denzin and Lincoln (2005) suggested that when establishing a relationship of substance with participants, researchers need to be explicit about the nature of the relationship - research, but not therapy or friendship. In this manner, the intimacy of the relationship can be minimised in order to ensure the objectivity of research. From the participants' side, the risks are of being subjected to invasion of privacy and to questioning that

might be intellectually and emotionally demanding (Denzin and Lincoln 2005; Flick 2007).

Gamble (2003) believed that several factors can foster a positive relationship between researchers and participants: researchers who can speak the same language as participants, and researchers who are familiar with the cultural values of participants and understand discourse patterns and body language that indicates evasiveness or reluctance to speak frankly.

Bryman (2008), on the other hand, argued that researchers who conduct their studies in a different culture may have the advantage of observing everything around them as something new, as they are aware of differences that exist between their culture and the one under study. According to Bryman (2008), researchers who conduct studies in their own culture face the opposite type of difficulties because both researchers and participants can take for granted behaviours, ways of thinking, and linguistic patterns. In other words, both of them can have similar assumptions about social values and rules. Therefore, researchers and participants have to manufacture their distance: researchers need to move away from the taken-for-granted assumptions and create a critical awareness of familiar surroundings.

Indeed, the researcher of this study is a Chinese female, and was from the same cultural background as most participants but has been living in the UK over five years. The cultural similarity between the researcher and most participants might minimise the language and cultural barriers between them, and might help the researcher to understand particular views of participants' reality. However, the researcher was also aware of the importance of reflexivity in the study and had been trying to make the data interpretation and conclusion of the study.

Moreover, within the relationship between researchers and participants, the interview situation always and necessarily involves an aspect of power (Collis and Hussey 2009). For instance, Easterby-Smith *et al.* (2002) pointed out that during one interview the frame of the situation may change and that it may do so more than once. Since the researcher in this study is considerably younger than most participants that she was interviewing, she might be treated as a young girl next door who could be given advice;



there was a possibility that the participants could be the more dominant party in this interaction context.

In this study, the researcher had some cases where she knew her participants from her personal network. One of the interviews was conducted in a cafe by invitation by one of the participants. It took a conscientious effort from both of them not to be distracted by the surrounding environment and drift into a conversation. In China, the researcher had to keep her participants concentrated on the interviews, carefully balancing the conversation elicited by probing some of their responses. Some participants in China wanted to know about the researcher, and her experience, her impression of how she found cross-cultural differences in a diverse working environment and contemporary development of HR policies and practices. The researcher then had to redirect them back to the interviews, encouraging the participants to analyse their experience and their particular views of their world without sounding critical of it.

The ethical concerns of the researcher were related to asking questions that did not threaten them or place them in an uncomfortable a situation. Sometimes it meant that to the digital recorder had to be turned off at their request. Sometimes it meant that they had to rely completely on the promise of the anonymity of their identities and on how the information would be used and reported.

#### **4.4 Interview participants' details**

In total, 76 in-depth interviews with a range of HR professionals, senior and middle management members, and employees in non-managerial positions were conducted within 21 Western TNCs (WTNCs) and two Chinese state-owned enterprises (CSOEs)<sup>2</sup> between February and November 2008. As presented in Table 4.2, for example, 18 and 13 participants were interviewed at WTNC1 and WTNC2, respectively. Eight participants were interviewed at CSOE1. The researcher intended to conduct case studies within these four companies, however, due to company access problems which have been discussed in Section 4.3.1, the researcher changed her initial method and conducted the research through qualitative interviews only. Among the 21 WTNCs, 11 were oil and gas companies, six were oilfield service providers, and five were energy consulting companies. Both CSOEs had their own oil and gas exploration and

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<sup>2</sup> To preserve confidentiality and to maximise ease of reading, the Western TNCs and Chinese state-owned enterprises, are coded as 'WTNCs' and 'CSOEs', respectively.

production organisations, oil service providers and energy consulting companies. It is worth noting that the number of the employees of all the participating companies was over 500. Moreover, some WTNCs entered China around the beginning of the 20<sup>th</sup> century, while some WTNCs started their operations in China since the country opened its door in 1978. The detailed information of participating companies will be discussed in Chapter Five.

Participating companies		Number of participants	Number of employees worldwide	Number of employees in China	Percentage of local employees	Length of time operating in China
WTNCs	WTNC1	18	101,000	7,000	98%	Since 1908
	WTNC2	13	108,000	1,700	90%	Since 1980
	WTNC3	2	80,000	4,000	n/a	Since 1973
	WTNC4	3	33,000	800	n/a	n/a
	WTNC5	3	62,000	n/a	n/a	Since 1979
	WTNC6	2	20,000	n/a	n/a	Since the early 1980s
	WTNC7	2	95,000	4,000	n/a	Since 1979
	WTNC8	2	60,000	400	n/a	n/a
	WTNC9	2	56,000	n/a	n/a	n/a
	WTNC10	5	650	n/a	n/a	n/a
	WTNC11	2	1,000	n/a	n/a	n/a
	WTNC12	2	32,900	2,120	n/a	Since 1999
	WTNC13	2	50,000	1,500	n/a	Since 1985
	WTNC14	1	2,000	n/a	n/a	n/a
	WTNC15	1	43,300	n/a	n/a	n/a
	WTNC16	1	1,148	n/a	n/a	n/a
	WTNC17	1	304,000	14,000	n/a	Since 1906
	WTNC18	1	10,000	n/a	n/a	n/a
	WTNC19	1	900	1	1	Since 1995
	WTNC20	1	83,600	1,100	1	Since the 1890s
	WTNC21	1	500	n/a	n/a	n/a
CSOEs	CSOE1	8	1,117,000	n/a	n/a	Since 1952
	CSOE2	2	450,000	n/a	n/a	Since 1952

**Table 4.2 Number of participants from the participating companies**

**(Source: official websites of the participating companies)**

Within the sample, 53 participants were interviewed over telephone and 23 participants were interviewed face-to-face. There were two reasons that a large number of interviews were conducted over telephone. Firstly, some participants preferred to carry out the interviews over telephone due to their limited time. For example, 27 interviews were conducted in Beijing between February and the middle of April 2008, and 5 participants requested to conduct the interviews over the telephone. Secondly, some participants were travelling around and were not in Beijing during February and April 2008, and some participants were based in different cities in Europe. Therefore, the researcher decided to arrange telephone interviews with those participants. Between the middle of April and November 2008, 49 interviews were conducted and one of them was a face-to-face interview, as the headquarters of the participant's company was based in Edinburgh, where the researcher was based.

Within the sample, 70 participants were based in Beijing and one participant was based in Daqing oilfield in China. The remaining five were based in headquarters or affiliates in the UK and Netherlands. The rationale for including this smaller sample of five participants was to elicit their views and perceptions on the Chinese culture. Two of these participants had worked in the past in the regional headquarters in Malaysia but had direct HR involvement with their Chinese affiliates. The other three individuals had experience of working with Chinese colleagues, for example through short term assignments in China.

The researcher acknowledges that there are disadvantages of conducting telephone interviews. For instance, since the researcher did not see the participants, social cues, such as body language and eye contact, can be reduced (Zikmund 2003). However, voice and intonation are still available, thus, enough social cues remain for conducting telephone interview (*Ibid*). There are also some advantages of conducting telephone interviews. For example, telephone interview can offer the opportunity to conduct cost and time saving interviews drawing participants from a wider geographical area (Cooper and Schindler 2006). In fact, telephone interviews allow gathering even extremely sensitive information as they create an element of anonymity. However, the absence of face-to-face contact may make it harder to develop trust and thus reduce the potential richness of the information (Zikmund 2003). When compared to face-to-face interview, it is also likely that interviewer bias – especially bias caused by physical

appearance, body language and actions of the interviewer - is reduced by using telephone interviews.

The interviews lasted between 45-100 minutes and they were semi-structured, ensuring that main cultural themes were pursued with a degree of consistency but also allowing new topics to emerge during the fieldwork. Among the interviews, one group interview with five HR professionals which lasted 55 minutes was conducted in one of the CSOEs, this is considered as one interview. This interview was arranged by a senior management member of the company. The researcher was told that she could only interview those HR professionals at the same time and in the same office due to their work load and limited time. Therefore, the interview was considered as an individual interview in this study.

The interviews were digitally audio-recorded, except for 13 interviews, as those participants did not feel comfortable having the interviews recorded. The researcher was also aware that recording interviews would have increased participants' reluctance to speak openly (Gamble 2006). Thus, research notes were taken for those 13 interviews. The interviews which were conducted face-to-face were marked with '\*' in Appendix 8. All the interviews were conducted in English or Mandarin Chinese depending upon the nationality of the participants. The interviews were recorded and transcribed in their original language. The researcher translated the ones in Chinese into English.

The demographic profiles of the participants were generated from the interview question part B from Appendix 4 to 7 - 'Biographical Details', as well as from the secondary information which the researcher collected. The profiles are presented in Table 4.3. The 76 participants were all given pseudonyms. The detailed information of participants, including their age, gender, education, types of firm they worked for, the duration in current jobs and with current enterprises, is outlined in Appendix 8.

<i>Variables</i>	<b>WTNCs</b>		<b>CSOEs</b>		<b>In total</b>	
	<i>Numbers</i>	<i>%</i>	<i>Numbers</i>	<i>%</i>	<i>Numbers</i>	<i>%</i>
<b>Gender</b>						
Male	41	62	9	90	50	66
Female	25	38	1	10	26	34
<b>Age (years)</b>						
Under 30	8	12		10	9	12
30-39	38	58	5	50	43	57
40-49	16	24	2	20	18	23
Over 50	4	6	2	20	6	8
<b>Nationality</b>						
Chinese	43	65	10	100	53	70
Non-Chinese	23	35	0	0	23	30
<b>Ethnicity</b>						
Chinese	55	83	10	100	65	86
Non-Chinese*	11	17	0	0	11	14
<b>Marital Status</b>						
Single	8	12	1	10	9	12
Married	58	88	9	90	67	88
<b>Education</b>						
Higher education and above	65	98.5	10	100	75	98.7
Technical college, high school and lower	1	1.5	0	0	1	1.3
<b>Position level</b>						
HR professionals	12	18	6	60	18	24
Middle and senior management	23	35	3	30	25	33
Non-managerial	32	47	1	10	33	43
<b>Tenure (years)</b>						
Less than 1	2	3	0	0	2	3
1-5	31	47	3	30	34	44
More than 5	33	50	7	70	40	53

\*Non ethnic Chinese participants were from the UK, the USA, Germany, Netherlands, Malaysia, India, and Indonesia.

**Table 4.3 Demographic profile of the participants**

As shown in Table 4.3, the sample selection of this thesis ranged from senior management officers to non-managerial employees (43 per cent). This is one of the methodological advantages of this study, as the perceptions and views of non-managerial employees have seldom been examined in the previous HRM literature in China, with a few exceptions (for example, Cooke 2005, Gamble 2006; Gamble and Huang 2009)

The profiles are provided by nationality and ethnicity for all the participants. It should be noted, however, that some participants were in the Chinese ethnic groups but they were not of Chinese nationality. For example, an Australian participant who was originally from China, changed his nationality after studying and working in Australia. The participant then worked as an expatriate in a Chinese affiliate of one of WTNCs

when the interview was conducted. There were 12 out of 65 ethnic Chinese participants who did not have Chinese nationality in the study. They studied and/or worked outside of China, and had international experience. Meanwhile, they grew up and lived within Chinese families and/or communities, and could speak fluent Chinese and had knowledge of the Chinese culture. The reason for employing ethnic Chinese in WTNCs, may be the significant networks and strong cultural links that these ethnic Chinese employees had. Moreover, 66 per cent of the participants were male and most participants were married. The overwhelming majority were well-qualified with a minimum of a Bachelor degree.

It is worth noting that, among the 76 participants in WTNCs, 27 of them had previous experience in the Chinese state-owned oil and gas enterprises. Their names are highlighted in grey in Appendix 8. The working experience of these 27 participants was expected to provide a holistic picture of Chinese cultural values and of the influence of these values on HR policies and practices within WTNCs.

<i>Variables</i>	<b>All 76 participants</b>	<b>66 participants in WTNCs</b>	<b>10 participants in CSOEs</b>
Tenure (years)	6.71	5.57	13.45
Age (years)	37.92	37.6	39.82

**Table 4.4 Participants' tenure and age distribution**

Among 76 participants, over 50 per cent of them had more than five years in their current companies, and on average, tenure of all participants was over six years (Table 4.4). The average tenure in CSOEs was 2.4 times higher than the average tenure in WTNCs, thus, life-time employment seemed to be still prevalent in CSOEs. The average age of the participants was over 37 years old. Moreover, the tenure, age, positions and working experience of the participants has made the data of this thesis more reliable, as the participants had enough experience and knowledge about the HR policies and practices in their respective companies.

## **4.5 Summary**

This Chapter has discussed the methodological foundation and methods employed for this research. The aim of this study is to investigate the Chinese cultural values that the participants held and explore the impact of the cultural values on HR policies and practices within WTNCs in China. The insight into the cultural values is expected to be obtained by interviewing both managerial and non-managerial employees within the participating companies, in order to have an in-depth understanding of the Chinese cultural values and norms.

Due to the limitation of company access, a qualitative interview approach was applied to provide insights into the research. All the participants were approached through the researcher's network with a snowball sampling strategy. Emails were sent to the network, inviting professionals in the oil and gas industry to take part in this study. The risk of snowball sampling bias as a result of participants being selected according to the participants' availability is recognised. However, in order to gain a sufficient research sample, this was deemed to be the most feasible methodology.

For confidential reasons, 76 participants are all given pseudonyms. The sample ranged from senior management officers to non-managerial employees, such as engineering professionals and office administrators.

When conducting and interpreting the interview responses, the researcher was also aware of the reflexivity which emphasises researchers' positions within research. As discussed earlier, different biographic backgrounds of researchers and participants, such as cultural background, gender, age, and working experience, may create a distance between interviewers and interviewees. The demographic information of the participants has been also discussed in this Chapter.

The next Chapter will introduce the industrial context of this study.

## **CHAPTER FIVE**

### **BACKGROUND TO THE STUDY**

#### **5.1 Introduction**

Before presenting and discussing the research findings, which were collected from the participating companies, some relevant background of the data, such as the context of the Chinese oil and gas market, background information of the participating companies and the interview participants, needs to be considered. The purpose of this Chapter is to provide the context for the interpretation and discussion of participants' perceptions and opinions.

This Chapter will start with an overview of the Chinese oil and gas market where both transnational and Chinese state-owned oil and gas enterprises have been operating. The development of Chinese state-owned and private oil and gas enterprises and the business operations of foreign transnational oil and gas corporations in China, will be discussed. The background review will also cover the reasons for foreign transnational oil and gas corporations choosing to operate in China and the relationship between foreign transnational oil and gas corporations and Chinese state-owned oil and gas enterprises. An introduction to the participating companies will be presented in section 5.3.

#### **5.2 Industrial context: main actors in the Chinese oil and gas market**

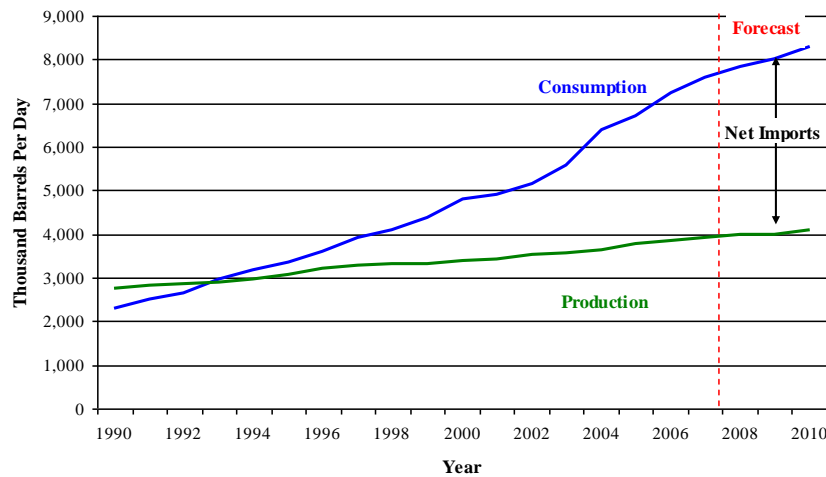
The oil and gas industry nowadays is not merely about the exploration and production of natural resources, as it is also affected by and economic factors. This section provides background information to the Chinese oil and gas market and briefly discusses the political and economic factors affecting the market. The main organisations in the Chinese oil and gas market and the relationships among these organisations are also outlined.

##### ***5.2.1 Development of the Chinese oil and gas companies***

In 2008, China was the world's second largest energy consumer behind the USA, after the previous two decades of rapid growth (Energy Information Administration 2009). In particular, the oil consumption of China, has surged to 7.83 million barrels per day in 2008 (see Figure 5.). China has also been developing its natural gas sector, which has



historically not been a major part of its fuel resources – it currently constitutes about three per cent (Euroasia 2009). Therefore, in the following discussion, some data and information are only related to oil exploration and production.



**Figure 5.1 China's Oil Production and Consumption, 1990-2010\***

(Source: Energy Information Administration, 2009)

The dominant players in the Chinese oil and gas market are the Chinese state-owned enterprises, which have undergone major changes over the last decade. In 1998, the Chinese government reorganised most state-owned oil and gas assets to create three major oil and gas companies, two of them vertically integrated the onshore oil and gas assets: China National Petroleum Corporation (CNPC) and China Petrochemical Corporation (SINOPEC), and one company specialised primarily in the offshore oil and gas exploration and production: China National Offshore Oil Corporation (CNOOC). The Chinese government maintains a majority stake in each of the three national oil and gas companies through state-owned holding enterprises, respectively named as PetroChina, SINOPEC and CNOOC Ltd. The State-owned Assets Supervision and Administration Commission of the State Council (SASAC) performs the rights and obligations of shareholders on behalf of the Chinese government.

One of the goals of the reorganisation is to create vertically-integrated Chinese major oil and gas companies that would eventually compete with global oil and gas majors, such as Royal Dutch Shell, BP and Chevron. Prior to the reorganisation, CNPC had mainly focused on the state-owned upstream assets which were the production of oil and gas, while the SINOPEC had been engaged in the downstream assets which were the

refining and retail distribution of oil and gas. Currently CNPC and the SINOPEC operate virtually all of China's oil and gas refineries and domestic pipeline networks. The oil and gas industry, as one of the pillar industries in China, is under the strong domain of the three Chinese state-owned oil and gas enterprises. Top members of management in these three state-owned enterprises are appointed by the Chinese Communist Party and hold ministerial ranks. Although these three state-owned enterprises have been attempting to import more 'Western' HR management strategies to support their local and transnational operations, the influence of state-owned structure and norms still weigh heavily on the Chinese oil and gas industry. This is the reason for involving the Chinese state-owned oil and gas enterprises in this thesis; by outlining the HR policies and practices of the Chinese state-owned oil and gas enterprises, a more holistic picture of HRM within TNCs in China can be presented. The influence of the Chinese state-owned oil and gas enterprises will be depicted in the data analysis Chapters and will also be elaborated on in the discussion Chapter.

Furthermore, the oil production and consumption gap in Figure 5.1 shows that nearly 49 per cent of oil demand (3.85 million barrels per day) had to be imported to the country in 2008. The Chinese oil demand is one of the main drivers of oil prices, as the country currently has the largest absolute growth in demand anywhere (Fredriksen 2006). The rising oil demand and imports have made China a significant actor in the global oil and gas market. Moreover, Figure 5.1 also indicates that China has become a net oil importer since 1993, the time when China's oil and gas industry started investing in the oil and gas production assets overseas to meet its increasing domestic demand. As the Chinese state-owned oil and gas enterprises are also involved in international businesses, and they might face the similar HRM issues as TNCs in other countries. Thus, it might also be important for Chinese state-owned oil and gas enterprises to consider the implications of the impact of local cultural values on HR policies and practices when the enterprises operate abroad.

However, it is difficult to know exactly how much equity oil<sup>3</sup> that is produced by the Chinese state-owned enterprises abroad actually imports to China, since the data on imports published by the Chinese Customs Bureau only indicate the countries of origin

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<sup>3</sup> The proportion of oil production that a concession owner has the legal and contractual right to retain (Energy Information Administration Glossary, 2009).

rather than specific export streams from specific investment projects (Energy Information Administration 2009). Nevertheless, based on a large volume of reports involving the overseas operations of the Chinese state-owned oil and gas enterprises, Euroasia (2009) estimated that the amount of equity oil flowing from the Chinese production projects abroad into China in 2008, was approximately 820,000 barrels per day, which contributed 10 per cent to the total oil consumption in the country.

Moreover, as China has increasingly become involved in global business and in economic terms since 1978, the companies in the non-state sector, such as the local privately owned firms and foreign investment oil and gas corporations, have also been burgeoning and providing the lion's share of production and employment in the country.

In the Chinese oil and gas industry, a small group of private oil and gas companies has been struggling to survive in this highly competitive market. In 2005, the State Council stipulated the 'Suggestions Submitted by the State Council Concerning the Supporting and Guiding the Development of Non State-owned Organisations' (*General Office of the State Council of China 2005*) to encourage the development of the Chinese private companies in all kinds of areas. The intention of the 'Suggestions' was to promote competition between the Chinese state-owned and private companies in order to improve qualities of services and products. On 30<sup>th</sup> June 2005, the first Chinese private oil and gas company, Great United Petroleum Holding Co. Ltd. (GUPC), which was created through a merge of about thirty small and medium-size private oil and gas firms, was established. GUPC claimed that it was the fifth biggest Chinese oil and gas group after CNPC, SINOPEC, CNOOC and Sinochem<sup>4</sup> at its opening ceremony (Sun 2005). However, the president of GUPC was accused of being involved in bribery and corruption case at the end of 2007, subsequently GUPC was dismantled. Meanwhile, the number of Chinese private oil and gas retailing companies decreased from 3,340 in 1998 to 663 in 2006 due to the difficulty in accessing oil and gas resources (Zhao 2007). In March 2008, the State Development and Reform Committee and Ministry of Commerce jointly issued 'The Circular Concerning the Private Retail Enterprise of Refined Oil Product' (*The State Development and Reform Committee and Ministry of Commerce 2008*), and stipulated that the Chinese state-owned oil and gas enterprises

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<sup>4</sup> In this thesis, Sinochem is not included in the dominant Chinese state-owned oil and gas enterprises, because Sinochem focuses not only on the oil and gas operation, but also on agriculture, energy, chemical, finance and real estate operations.

should reorganise private oil and gas companies through mergers and acquisitions in order to integrate retailing power and to improve oil and gas service quality. Between 2005 and 2008, the Chinese government issued the ‘Suggestions’ and ‘Circular’ documents, in order to regulate and develop the Chinese oil and gas market. However, the Chinese private oil and gas companies had experienced dramatic changes, and their future is in doubt. The Chinese state-owned oil and gas enterprises are still leading the oil and gas market in the country.

As mentioned earlier, the Chinese state-owned oil and gas enterprises have been involved in overseas oil and gas exploration and production, and the three main state-owned enterprises control all the oil and gas operations abroad. However, few international investments by the Chinese state-owned oil and gas enterprises have been made in the North Sea, North America, Russia, and the Middle East. Because of local natural resources protection, the oil and gas exploration and production in these countries have been monopolised by their own home country companies. Therefore, a large majority of the overseas projects involving the Chinese state-owned oil and gas enterprises are in 29 developing and under-developed countries (CNPC 2010), such as West Asia, Africa, South America which have nearly 80 per cent oil and gas reserves of the world (Energy Intelligence Weekly 2009). The oil and gas resources in these developing and under-developed regions are also highly protected. However, due to the less advanced exploration and production technologies that those countries have, the foreign transnational corporations with cutting-edge knowledge and experienced labour are welcome to operate there to assist the local oil and gas exploration and production. It is worth noting that the Chinese state-owned enterprises had been expanding their investments in Middle Eastern fields, such as Iraq, Iran and Syria. For example, CNPC won one of the largest oilfield development bids in Iraq in July 2009 (Energy Information Administration 2009). Meanwhile, although China is not a rich in natural resources, it is one of the countries that has moderately opened its oil and gas fields to foreign transnational corporations because the country needs to import knowledge, equipment and experience from other transnational oil and gas corporations.

Due to political factors and harsh environmental conditions in developing and under-developed regions (Sudan and Venezuela are two typical examples), there are few Western transnational oil and gas corporations operating in these areas. The American

and British governments have imposed economic sanctions on those countries that are full of oil resources but do not intend to cooperate with them. Therefore, to some extent, it can be argued that the Chinese state-owned oil and gas enterprises have been benefiting from the sanctions by those ‘Western’ developed countries to the countries, such as, Sudan and Venezuela. On the one hand, the Chinese state-owned oil and gas enterprises could have the chance to build up oil and gas exploration partnerships with those developing and under-developed countries which have rich oil and gas resources. On the other hand, more importantly, as a politically and economically stable country, China could attract more foreign oil and gas investments to the country. Therefore, apart from competing with foreign transnational oil and gas corporations, the Chinese state-owned oil and gas enterprises have also been trying to increase the output and efficiency of the domestic oil and gas exploration and production by cooperating with those foreign transnational corporations.

Regarding foreign invested oil and gas corporations, their relationship with the Chinese state-owned oil and gas enterprises has been transformed from business competitors to partners. As this thesis concentrates on the HR policies and practices within TNCs in China, the business development of foreign invested oil and gas corporations, as well as the competition and cooperation relationship between the foreign invested and the Chinese state-owned oil and gas enterprises are key background of this study, and are outlined in the following section.

### ***5.2.2 Foreign transnational oil and gas corporations in China***

In fact, a number of foreign transnational oil and gas corporations have been operating in both Chinese offshore and onshore oilfields since the 1980s. However, the ‘oil rush’ did not start in China until ConocoPhillips founded the largest offshore oilfield in the country in 1999 (Wu 2009). No single global oil and gas companies wants to lose a ‘lion’s share’ in the second largest oil demand country. With China's entry into the WTO in November 2001, the Chinese government made a number of specific commitments to trading and investment liberalisation which, if fully implemented, would substantially open the Chinese economy to foreign companies. In the oil and gas industry, this means, there would be a sharp reduction in tariffs associated with imports of some classes of oil and gas products. Moreover, there would be an eventual opening to international competition of some areas, such as retail sales of petroleum products in

China (WTO 2001). As a result, foreign transnational oil and gas corporations entered the Chinese oil and gas retailing and wholesaling markets in 2004 and 2007 respectively, and have gradually shifted their focus from the upstream exploration to the more profitable downstream refining and distribution (Wu 2009).

Currently, most well-known foreign transnational oil and gas corporations have offices or exploration and production projects in China. The commonly used international oil and gas practice is the production sharing contract<sup>5</sup> which regulates how an oil and gas contractor and a host-country company can decide the stake of each involved party. For example, in the contract made between ConocoPhillips and CNOOC Ltd., it is stated that the foreign transnational oil and gas company has to pay all the cost at exploration stage and has to take all the risk before any commercial production (Wu 2009). Moreover, the setting up of the project must be in a joint-venture format, and CNOOC Ltd. is entitled to claim a majority 51 per cent stake of the project (*Ibid*). However, the TNCs' headquarters in China are still wholly-owned.

Moreover, apart from building up joint-venture operations, a number of foreign transnational oil and gas corporations have also established strategic partnerships with the Chinese state-owned oil and gas enterprises, in order to cooperate with them in the oil and gas exploration and production inside and outside China. Therefore, Clarence (2006) contended that the compelling rationale to motivate foreign transnational and the Chinese state-owned oil and gas companies to work together, was the limited resources in the highly competitive oil and gas market. Foreign transnational oil and gas corporations can enter the Chinese market and cooperate with the Chinese state-owned oil and gas enterprises because these foreign transnational corporations have cutting-edge technologies and advanced research abilities whereas the Chinese companies are still behind (Zeng 2007). The Chinese state-owned oil and gas enterprises could transfer some advanced technologies and modernised management systems by working together with foreign transnational oil and gas corporations. The cooperation partnership could be a great learning opportunity for the Chinese state-owned oil and gas enterprises.

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<sup>5</sup> An agreement between the parties to an oil and gas exploration and/or production contractor and a host-country company regarding the percentage of production party will receive after the participating parties have recovered a specified amount of costs and expenses (Schlumberger Oilfield Glossary 2008).

Furthermore, the fundamental difference between most private foreign transnational and Chinese state-owned oil and gas companies is the purpose of their business operations. The first group is private and 'market driven', while the latter one is state-owned and is benefiting from the stability of the ownership. This is likely to explain why most foreign transnational oil and gas corporations focus more on downstream refinery production, while the Chinese state-owned oil and gas enterprises mainly concentrate on upstream explorations and productions. Most foreign transnational oil and gas corporations have been looking for more opportunities to maximise their profits from downstream sections, such as oil and gas refinery and distribution. In contrast, the main purposes of Chinese state-owned oil and gas enterprises are to look for security in supplying oil and gas resources and for creating job opportunities in the country. Making commercial profit is also important, but it is not the top priority of the Chinese state-owned oil and gas enterprises.

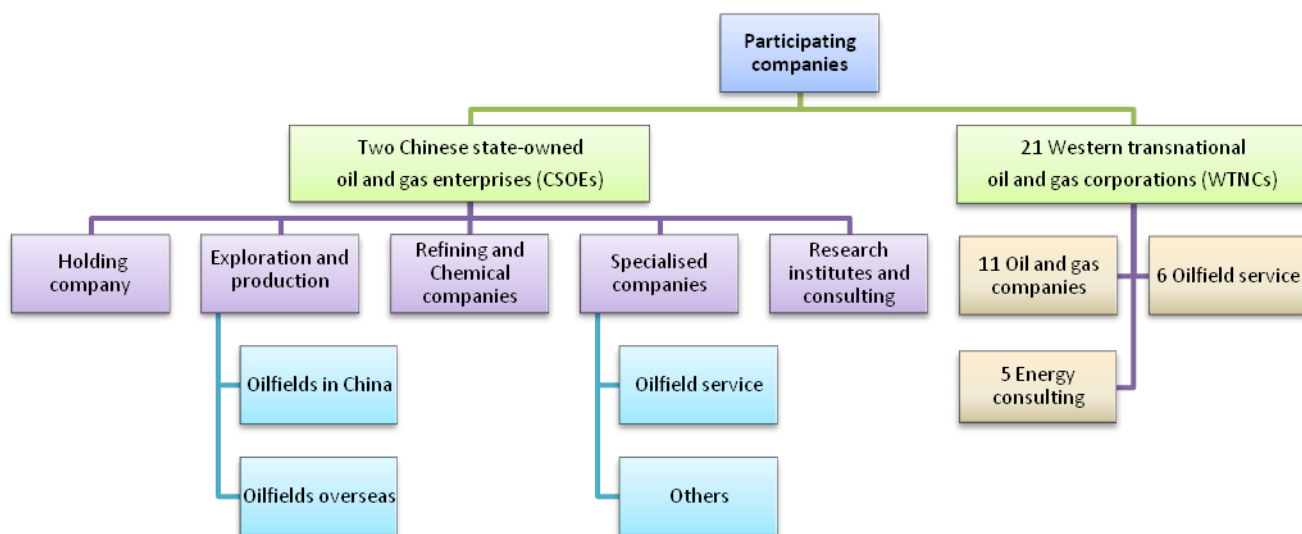
The three Chinese state-owned oil and gas enterprises continue to figure prominently in the Chinese oil and gas market, due to the ownership of these enterprises and the energy importance to national security. The Chinese state-owned oil and gas enterprises, on the one hand, have access to financing from the state-owned banks to support extremely high risk oil and gas exploration projects. On the other hand, they have benefited from favourable policies from the government. Chinese state-owned oil and gas enterprises could have access to low-interest loans from the Chinese state-owned banks, allowing them to bid and compete with other global majors in the oil and gas industry. Private foreign transnational oil and gas corporations have to face the uneven playing field; therefore the large corporate actors have been shifting their focus to the most technologically complex projects and have been heavily investing in expanding that skills advantage (Schwartz 2005). Compared with foreign transnational and Chinese state-owned oil and gas companies, Chinese local private oil and gas companies have little financial and technological advantage and their future is uncertain.

The next section will present an overview of the companies where the interview participants were from.

### 5.3 Participating companies

The participating WTNCs were from three sectors in the oil and gas industry: the oil and gas, the oilfield service and the energy consulting (see Figure 5.2). The nature of the three business groups differed; the oil and gas companies mainly focused on upstream exploration and downstream petrochemical production, while the oilfield service and the energy consulting companies provided technical and/or commercial analysing support to the oil and gas companies. In short, the oil and gas companies were the clients of the latter two sectors, which did not typically produce oil and gas products for themselves.

As aforementioned in Chapter Four, 12 participating companies were listed in the Fortune Global 500 (Fortune 2010). Among these 12 companies, two were CSOEs, nine were ‘Western’ oil and gas companies, and one was a ‘Western’ oilfield service provider companies. Moreover, two CSOEs and eight ‘Western’ oil and gas companies were also listed in the top 30 of the Petroleum Intelligence Ranks World’s Oil Companies (Energy Intelligence Weekly 2010) in terms of their production and reserves.



**Figure 5.2 The structure of the participating companies**

(Adapted from the participating companies’ websites, CNPC:

<http://www.cnpc.com.cn/en/aboutcnpc/companyprofile/Organization/organization.htm>, SINOPEC:

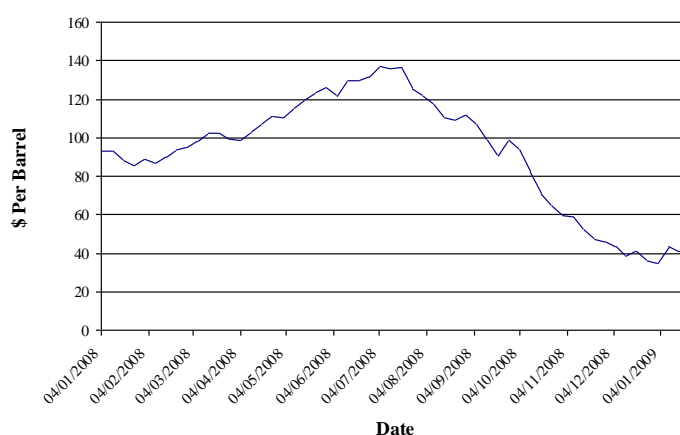
[http://english.sinopec.com/about\\_sinopec/our\\_business/](http://english.sinopec.com/about_sinopec/our_business/))

The two CSOEs had similar organisational structure with each other (see Figure 5.2). Both companies had their own holding companies, exploration and production



organisations, refining and chemical companies, oil service and construction companies and research institutes. For example, when CSOEs had an overseas exploration project in Country A, the oilfield service companies of CSOEs were supposed to participate in the sub-contract bidding and to compete publicly with other oilfield service companies which were from around the world. However, the oilfield service companies of CSOEs were more likely to be competitive when they had similar technologies as other competitors, because they and their client were from the same ‘family’ of the business. The oilfield service companies and research consulting institutes of CSOEs were also the state-owned assets. Due to the Chinese state-owned oil and gas enterprises’ structure and ease of analysing and reading, this thesis considers the oil exploration and production, oilfield service and energy consulting as the oil and gas companies overall.

It is also worth noting that the interviews were conducted between February and November 2008. Coincidentally, it is the period when the oil price reached unprecedented high peak of \$ 137.11 per barrel (see Figure 5.3).



**Figure 5.3 The oil price trend, February to November 2008.**

(Source: Energy Information Administration, 2009)

It is likely that the HR policies and practices of the participating oil and gas companies could change due to oil price fluctuation. For example, having higher profits, oil and gas companies could offer better compensation packages to hire top talent from each other in the industry. An employee retention and career development scheme might also need to be adapted with oil price changes.

## 5.4 Summary

The purpose of this Chapter was to set up the background for the data analysis in the next two Chapters. The context of the Chinese oil and gas market has been outlined. The dominant companies in the Chinese oil and gas market are the three Chinese state-owned enterprises, as they control the oil and gas resources in the country on behalf of the government. Due to the limited access to resources, the Chinese private oil and gas companies have found it extremely difficult to survive in this highly competitive market. These three main Chinese state-owned oil and gas enterprises, financially supported by the national banks, mainly focused on the oil and gas exploration and production in their domestic market. Meanwhile, these companies also invested abroad seeking more oil and gas resource channels to support the business development of the country. As the government relies heavily on the Chinese oil and gas market, the influence of state-owned structure and norms can still be salient in the Chinese state-owned oil and gas enterprises.

The rationale for improving oil and gas production efficiency in the country and of expanding overseas operations, is to motivate the Chinese state-owned oil and gas enterprises to open their market in order to cooperate with foreign transnational oil and gas corporations rather than competing. By establishing joint-ventures with foreign transnational oil and gas corporations in the country and abroad, the Chinese state-owned oil and gas enterprises could transfer cutting-edge technologies and knowledge, as well as the Westernised management approaches and ideas from their business partners. At the same time, foreign transnational oil and gas corporations have shared the explored products with the Chinese state-owned oil and gas enterprise. Moreover, foreign transnational oil and gas corporations have also set up the distribution channels of their petroleum products to gain a greater market share in China.

In the next two Chapters, the findings on contemporary Chinese cultural values and their impact on HR policies and practices within TNCs in China will be presented and analysed. Chapter Six will focus on the Chinese cultural values that affect day-to-day work in WTNCs and CSOEs.

## CHAPTER SIX

### CHINESE CULTURAL VALUES EMERGING FROM WTNCs AND CSOES

#### 6.1 Introduction

In the previous Chapter, the industrial and company background information of this study was outlined. This Chapter focuses on the cross-cultural issues and Chinese cultural values in both WTNCs and CSOEs. The Chapter is designed to provide a cultural context for presenting and interpreting the findings regarding the impact of Chinese cultural values on HR policies and practices in WTNCs. The perceptions and views from the participants in CSOEs are included in this thesis in order to present a holistic picture of Chinese cultural values.

The aim of this Chapter is to illustrate the cultural differences that were addressed by the participants, and to elaborate on the Chinese cultural values that were perceived and discussed by the participants. Three Chinese cultural themes emerged from the questions in Part E of the Research Interview with HR directors and managers and senior management officers (Appendix 4 and 5), as well as in Part D of the Research Interview with production and line managers and non-managerial employees (Appendix 6 and 7). For example, key questions included: *‘Do you consider cultural factors when you make business strategy and decisions in the company? If you do, what kind of cultural factors do you consider?’* and *‘In your opinion, what are the main cultural differences between Chinese and other nationals?’* Through the quotes elicited from the questions, the researcher was able to acquire a deep understanding of the Chinese cultural values involved. Both Chinese and non-Chinese employees’ perceptions of Chinese cultural values are included in this Chapter in order to compare the different perceptions of the same cultural values. Moreover, how Chinese and non-Chinese participants dealt with those differences is also presented. Three key cultural themes emerged from the interviews with the employees in the participating companies; these are: *guan-xi*, *valuing seniority*, and the importance of the *‘human factor’*. Some other cultural values, such as individualism and collectivism, were also mentioned by the participants. The rationale for discussing the aforementioned three cultural factors is that these cultural themes were consistently mentioned by most participants. Before

moving to the discussion of these cultural themes, the cross-cultural issues within WTNCs and different attitudes towards the issues are presented in the next section.

## 6.2 Cross-cultural differences within WTNCs

The participants were asked to provide examples of cross-cultural issues during the interviews. The examples all concerned the cultural differences that existed between the Chinese employees and non-Chinese expatriates. Due to the mobile nature of the oil and gas industry, a certain proportion of expatriates seemed to be the norm for WTNCs and their parent enterprises and others affiliates. The purpose of assigning expatriates across the companies was to transfer knowledge and technologies from parent enterprises and other affiliates, as well as to introduce and integrate global management policies and practices in order to maintain consistent operation systems throughout the companies. George, an Executive HR Vice President in a WTNC, highlighted the reason for having expatriates in the Chinese affiliates:

*We send expatriates to our Chinese affiliates first as they have more experience and knowledge about the HR system in our parent enterprise. They transfer the HR policies and practices, and the ability of how to deal with these issues to [the]<sup>6</sup> Chinese HR team. Standardisation is very important. Nowadays, we still keep some expatriates in some key positions as we have to ensure a close relationship between the parent enterprise and affiliates. In turn, the expatriates, especially those in senior positions, have to make sure [that] the system in the Chinese affiliates is standardised and consistent.* (George, male, Dutch, an Executive Vice President HR in a WTNC)

George's statement showed that expatriates could transfer global policies and practices across the company, and it also indicated that his WTNC adopted the exportive approach when transferring these policies and practices. Expatriates could also maintain

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<sup>6</sup>The researcher has been trying to reflect the verbatim record of the interview interactions by using the following notes. The words in ( ) were the proposed explanation added by the researcher. The words and phrases in [ ] were added by the researcher in order to form the proper grammatical sentences. The words and phrases emphasised by the participants were **bold**. The deleted interview conversations were marked as ..... Punctuation had been added and it was hoped in a way which was faithful to the delivery of the quotes, to make the quotes more readily intelligible to readers.

the consistency of standardised operation systems within WTNC's worldwide operations. The need for consistency seemed to be a major issue in most WTNCs. Expatriates from parent enterprises of WTNCs could also make sure that all overseas affiliates were running under standardised operation frameworks.

It is also worth noting that not all the expatriates in WTNCs were non-Chinese nationals. As mentioned in Chapter Four, 12 out of 23 expatriate participants were ethnic Chinese from Malaysia, Indonesia, India, Germany, Holland, Australia, Canada, the UK and the USA. There was a blend of employees which made the participating companies multicultural. One of the main characteristics of WTNCs was their multicultural environment where people with different nationalities and cultural backgrounds worked together. Jiang, an HR Director in a WTNC, discussed diverse cultural backgrounds that senior management team had in the company:

*As we are expanding our business to the Far East, we need to increase the percentage of Asian talent in our top leadership team every year. In our USA affiliates, we also have 'People of Colour' which specifies the percentage of different ethnicities in the leadership. Nowadays, our top management team has become more diverse and senior managers are from anywhere in the world. This diverse top management team is more open and is more willing to hear different voices from overseas affiliates. Therefore, understanding the other side of national culture is an ongoing journey in our company. (Jiang, female, Chinese, an HR Director in a WTNC)*

Jiang mentioned that her company had been aiming to maintain a certain percentage of each main ethnicity in the company. The key purpose of having 'People of Colour' in her company was to gather different perspectives and ideas from a diverse workforce. As the business operation of the company was moving towards Asia, the number of Asian senior managers had been increasing gradually. Although the company originated from the Anglo-Saxon and European culture, its top management level had been keen to promote cultural diversity to attract the best talent. According to Jiang, senior managers with diverse ethnicities, made the top management level more open-minded, and they were more likely to accept different opinions and views. This quote also revealed that

the management control was adopted by the company. The intention of having diverse management members with various backgrounds might be to prevent one group from dominating the company. This policy was echoed by the equal opportunity strategy in most WTNCs. Joe, a CEO in one of the WTNCs, summarised diversity management in one of his speeches (*Diversity and Inclusion 2008*):

*By integrating diversity and inclusion into the mainstream of the business, we can translate our core values ..... into action, and improve global performance.* (Joe, male, Dutch, an CEO in a WTNC)

The statement above can be seen as a conclusion of diversity policies and management in Joe's company. In the company website, it presented diversity policies through its global framework and comprised the statements on the core values and commitments to the '*Diversity and Inclusiveness (D&I)*' which its parent enterprise claimed, laying out its business clients and partners and individual employee behaviour. According to the participants in Joe's company, the '*D&I*' was explicitly required to be standardised globally and to be translated directly without any local modification, except where legal limitations, such as basic benefits, labour contracts applied. The employees in WTNCs were from all over the world and in the long term, cultural inclusiveness was expected to bring positive benefits in terms of innovation and new technologies.

Xiang, a Petroleum Engineer in a WTNC, perceived cultural diversity as a learning opportunity:

*The expatriates in our Chinese affiliate are from Russia, India, Pakistan, Canada, the UK, the USA, Malaysia, etc, and most of them are in senior management and technical levels. The company requires a certain percentage of expatriates to maintain cultural diversity, because different people have different ideas and thoughts. Expatriates' management styles are different from Chinese ones, especially the expatriates from the West (Western countries), they are more detail-driven and professional, which is the working attitude that Chinese employees need to work on* (Xiang, male, Chinese, a Petroleum Engineer in a WTNC).

Xiang indicated that expatriates were more professional than the Chinese employees working in his company. There were a large number of expatriates at management or senior technical level, and these expatriates seemed to be 'role models' for their Chinese colleagues in the company. Yan, a Director of HR and Administration in a WTNC, demonstrated how she was being influenced by her expatriate managers:

*I started my first job in a transnational corporation in Beijing and my manager was from Germany. One day, I was five minutes late for a meeting, because my bicycle broke on the way to work. The manager did not blame me for being late. Instead, he told me that I had better check my bicycle before using it next time in order to avoid the similar situation. In my present company, there is a French manager. He is the person who teaches me how to be more professional at work. For example, I am told that the audience of my presentations can be from different departments or other companies. Thus, I need to be very clear and specific with the information I present in order to get it across to everybody. I learn a lot from these two managers and I tell my Chinese subordinates what I have learnt and suggest that they do things in the same way. (Yan, female, Chinese, a Director of HR and Administration in a WTNC)*

The German manager taught Yan that employees should take responsibilities for their own behaviour and learn from their mistakes. This work attitude seemed to echo the individualistic cultural value, which emphasises accountabilities of employees. The French manager made Yang realise the importance of targeting the right audience and of being detail-driven. In Chinese companies, giving presentations to people from various departments might not be a common approach during meetings. Yan considered the work attitudes and styles of the expatriate managers as '*professional*' and she further shared her experience with her Chinese employees. Yan's quote showed that there were knowledge and experience transfers among the employees within WTNCs.

Furthermore, not only could the Chinese employees benefit from the 'international flavour' that expatriates have brought to WTNCs, some expatriates at the junior level

were also sent to Chinese and other overseas affiliates to gain experience. Claire, an HR Manager in a WTNC, illustrated how expatriates could benefit from being transferred to the Chinese affiliates:

*Roughly, in the [Chinese] region, the proportion of the expatriates would be, er, about ten per cent. Most of them are at the management level, a few of them are at the junior level who are analysts or consultants. Some of them come here to learn more from the Chinese perspective or even to lend their knowledge to China (Chinese colleagues) from the Western and UK perspective, and they also learn from the Chinese market. Expatriates' experience in Asia is a part for their career progressions as well. (Claire, female, Indian, an HR Manager in a WTNC)*

The quote above indicated that the exposure experience for expatriates from other countries, especially for those at junior level, was a part of their development plans. According to Claire, expatriate assignments seemed to be of mutual benefit for both expatriates and Chinese employees in WTNCs; Chinese employees could get the latest technology information and knowledge from expatriates, while expatriates could have their international exposure in China and could learn things in a different setting.

Another 57 participants also mentioned that expatriates made a very or fairly positive impact on their Chinese affiliates and local Chinese employees. Knowledge and experience sharing, diverse perspectives, career motivation and international experience broadening in WTNCs were addressed by the participants. Thus, the expatriates were deemed as kind of 'missionaries' who could link parent enterprises and affiliates and could keep information afloat within the companies.

In addition, all the participants in WTNCs acknowledged that cross-cultural differences existed between Chinese and expatriate employees. However, not all the participants recognised that there were cultural confrontations or tensions among different nationals. Yao, an HR Manager in a WTNC, stated that:



*No matter if you are expatriates or Chinese staff, we are working in the same company to achieve same goals. We work here; at least, it can prove that we all have qualified competencies. There are cultural differences among us. However, it (the cultural differences) is not a big issue, as we come here to work not to make conflicts or troubles (Yao, female, Chinese, an HR Manager in a WTNC).*

According to Yao, as long as employees worked in the same company and shared values and goals, there would not be any cross-cultural issues. Yao argued that professional and committed employees would not have personal stereotypes and perceptions regarding their colleagues, because the common interests of all employees in the company should be completing their work rather than making problems. Yao's colleague, George, an Executive HR Vice President in a WTNC, acknowledged cross-cultural differences in the company but stated that the differences were managed well by managers:

*Chinese culture is not a strange thing to us, as we have business in Malaysia and Singapore over 100 years and a large portion of population in these two countries was immigrant from China. We had employees who were influenced by the Confucian culture long time ago and we knew something about your culture and have experience to working with them. For example, Chinese people respect 'age' overall. (George, male, Dutch, an Executive HR Vice President in a WTNC)*

George considered Chinese culture to be similar to the cultures in Southeast Asia, and claimed that his company knew how to deal with Chinese culture. Indeed, a large number of people in Malaysia and Singapore emigrated from China. A large population in this region can speak Chinese and Confucianism has also had impact on the region. The similarities between these two Southeast Asian countries and China are; language and cultural norms and values. However, the social, economic, political and educational systems in those countries are different from the systems which have been adopted in China. For example, Singapore is a capitalist country, while China is a socialist one; one of the official languages in Malaysia is English, while Chinese is the only official

language in China. Unique social, cultural, economic and political factors also influence the national cultures in Malaysia and Singapore.

Moreover, a Director of New Business Development in a WTNC, Ying, discussed how his company tried to minimise cross-cultural differences:

*Most of our senior Chinese managers have international study and work experience, or have worked in other transnational corporations before. It is easier for them to accept Westernised management systems and organisational cultures. The Commercial Academy in our company consists of senior Chinese and expatriate managers. These managers adapt our global framework and policies in terms of Chinese economic, social and cultural factors, and then apply the adapted policies to the local context. Meanwhile, the Commercial Academy works closely with the HR department to deliver the most suitable HR policies and practices for our Chinese employees. (Ying, male, Chinese, a Director of New Business Development in a WTNC)*

The quote indicated that senior management in Ying's company had more international experience and could accept different cultures easily. These experienced senior management members and Chinese HR professionals worked together to figure out solutions for possible cross-cultural differences in the company. Ying did not think there was any cross-cultural problems, as the 'Commercial Academy' had already done research on Chinese economic, social and cultural environment and found solutions for any possible obstacles.

An HR Director in a WTNC, Jiang, also stated that there was no cross-cultural tension or conflict among the employees, as all their expatriates were carefully selected. Jiang discussed the criteria for selecting expatriates further:

*Most of our expatriates, before starting their assignments in China, have had work experience in other countries. Especially the expatriates at senior level, they have to have international experience. An expatriate assignment is a part of our employee career*

*development. Firstly, expatriates have to have technical or management expertise, which are needed in the Chinese affiliates. Secondly, we arrange interviews with potential expatriates and ask them 'How are you going to manage this local position replacement?', 'What is your target?', etc. Our expatriate selection criteria can help us to pick up the best candidates for overseas assignments. Moreover, our organisational culture stresses 'mutual respect', and our Chinese employees and expatriates are working well together. (Jiang, female, Chinese, an HR Director in a WTNC)*

Jiang's response echoed George's statements earlier, and it indicated that the key function of expatriates was transferring knowledge and training host country employees. Expatriates needed to have international experience and professional expertise. Moreover, they had to be open-minded and to include diverse ideas and opinions. In short, they were role models and trainers in the Chinese affiliates. However, Jiang did not mention the cross-cultural factor, which they might need to consider when selecting expatriates.

Whereas Jiang's colleague, Guo, an HR Manager in the company, emphasised the importance of increasing cross-cultural diversity awareness for expatriates:

*There was an American technical expatriate who was assigned to our Beijing office for two years. From the moment I picked him up from the airport, along the way to the office, he complained about the taxi, the infrastructure, and nearly everything he saw in Beijing from the car. When we arrived, he told me he wouldn't eat Chinese food during his stay. I was very angry about his ignorance and rudeness, and asked 'how could you know China so 'well' without living here?' He said he read some books and watched some TV programmes about China. Then I told him "Seeing is believing' and no one would beg you to stay in my country'. It is just not fair if people criticise something which is only based on their stereotypes and perceptions. What we need more is mutual respect and understanding. (Guo, female, Chinese, an HR Manager in a WTNC)*

Both Jiang and Guo emphasised ‘*mutual respect*’, which was deemed a part of their company culture. However, the expatriate mentioned by Guo above, seemed to show little respect to his newly assigned country. Although the company attempted to select expatriates with regard to certain criteria, such as expertises and international experience, the outcome of the selection which was illustrated in Guo’s excerpt might be not what HR professionals and management members expected. Guo argued that expatriates should be observant of the host country in order to understand and communicate with their Chinese colleagues.

Incidents of cultural arrogance appeared to be few so far, but enough for the company to worry that its organisational image might suffer. Jiang, as an HR Director adopted careful expatriate selection to minimise potential problems when transferring expatriates. Although the company had diversity policies and professional ethic codes, it might be also important to delivery cross-cultural trainings to expatriates.

Guo was not the only participant who gave negative comments on expatriates in WTNCs. Weng, an Information Support Officer in a WTNC, believed:

*The expatriates in my department seem that they don’t know China at all. To be more precise, they have little knowledge about the development of petroleum technology in China, nor about Chinese people or the language. Especially the expatriates from the West (Western countries), they think they have the best technology and knowledge, but not China. They don’t know that we started our own oil and gas industry since the 1950s.* (Weng, female, Chinese, an Information Support Officer in a WTNC)

This quote indicated that some expatriates had little information about China. Some expatriates from the Western countries still had arrogant attitudes towards the country and Chinese employees. Another seven participants in WTNCs stated that they preferred to work with Chinese employees rather than expatriates. The reason that these Chinese participants gave was that; expatriates did not know the Chinese context well and they worked in the same way as what they did in their home countries, and they

hardly took suggestions from their Chinese colleagues even if they were told that it did not work in China. It was evident that not all the Chinese employees in WTNCs appreciated their work experience with expatriates, as some of them did not see any knowledge transfer or training opportunities from working with expatriates but the arrogant attitudes.

When the quotes regarding the expatriates in WTNCs were analysed, it seemed that the expatriates that the Chinese employees could acquire knowledge and experience from were at the managerial level, while the expatriates that the Chinese employees did not like to work with were at the non-managerial level. In other words, the senior management expatriates might have more experience when working with their colleagues from various cultural backgrounds than the non-managerial expatriates. It is indicated that the expatriates at junior positions might need to have more training regarding cross-cultural awareness and interpersonal skills when working with other nationals. Moreover, the expatriate selection criteria which were mentioned by Jiang earlier might also need to be questioned here, as the criteria were focused on expatriates' knowledge and experience of expatriates rather than their cross-cultural awareness and flexibilities to adapt different cultures.

Patrick, was a Supply Chain Manager in a WTNC and is an expatriate from a Malaysian affiliate. He heard about similar complaints regarding cross-cultural differences in this company:

*Some of my Chinese employees tell me that they prefer to work with Chinese colleagues rather than expatriates. I told them [that] it's the wrong attitude, you know. They have to, there is no joint venture, there is no company where they can choose whom they want to work with. You always have to be flexible to work with different people at different times. If we just train them up to work with Chinese, I think, management is doing the wrong thing. So I always believe that senior managers need to train employees not only to work with Chinese colleagues, but also to work with expatriates who are from different cultures, and this is one of our values that we are trying to bring to*

*China.* (Patrick, Male, Chinese Malaysian, a Supply Chain Manager in a WTNC)

It was interesting to see that some Chinese employees challenged expatriate managers about working with expatriates. This might sound contradictory, however, it should be noted that Patrick was an expatriate whose grandfather emigrated from China to Malaysia in the 1900s, and he could speak native Chinese. Patrick grew up in a Chinese community and he had a good knowledge of the Chinese culture, and this might be the reason that his Chinese subordinates told him their honest opinions about expatriates. According to Patrick, it was not only expatriates who needed to increase cross-cultural awareness, Chinese employees also needed to develop their capacities to work with people from all over the world. Patrick also pointed out that working with a diverse workforce was a part of the organisational culture that senior management tried to integrate in the Chinese affiliates.

In conclusion, transferring expatriates to the Chinese affiliates seemed to cause some cross-cultural issues within WTNCs. It was revealed that there were two diverse attitudes towards these differences. On the one hand, the HR and senior management members adopted various diversity policies and practices, such as the '*People of Colour*', the '*expatriate selection criteria*', the '*Commercial Academy*', the '*Diversity and Inclusiveness (D&I)*', to promoting cross-cultural communication and diverse working environment in WTNCs. The experienced professionals and managers seemed to benefit from this dynamic environment by sharing their experience and knowledge with expatriates. However, on the other hand, the employees in non-managerial and junior positions in WTNCs found it difficult to work with expatriates due to cultural barriers, or stereotyping. It is indicated that some expatriates did not understand Chinese culture well while some Chinese employees could not accept expatriates' values and behaviour. Thus, in the next section, the Chinese cultural values that were perceived by the participants in both WTNCs and CSOEs are elaborated. It is hoped that the findings regarding the Chinese cultural values can help both expatriates and Chinese employees have a better understanding about these values.

### 6.3 Chinese cultural values that emerged from WTNCs and CSOEs

The cultural differences between Chinese and other national participants is an interesting feature of this study. The researcher did not directly ask the participant in WTNCs and CSOEs questions, such as, what are Chinese cultural values? Or, the extent to which cultural values differ from other national ones? Instead, the researcher asked the participants whether there were any cross-cultural problems or issues at work. The participants were also requested to illustrate a few examples of cross-cultural issues they came across. This section focuses on three Chinese cultural values that were perceived as important by the participants; and these are: *guan-xi*, *valuing seniority*, and the importance of the ‘*human factor*’. It is worth noting that some other cultural values, such as individualism are collectivism, are also mentioned by the participants. The rationale for discussing the three cultural factors is that these cultural themes are consistent and are being mentioned by most participants.

#### 6.3.1 *Guan-xi*

*Guan-xi* is a phrase which is adopted from Chinese, and readers may find it in the index of any books about culture. As discussed in Chapter Three, there was a much stronger reliance on informal networks based on personal contacts - what is known as the culture of *guan-xi* in China. The following two quotes present a vivid picture of practicing *guan-xi* in China.

*Our canteen is subcontracted to an external company and most employees are not really happy with the food and service that the company provides. We have complained to the company and to the managers who are in charge of subcontracting projects in our company. However, nothing has changed so far. The only reason for not changing this subcontracted company is simple: the managers of the subcontracted company have guan-xi with some senior managers in our company. We, [the] Chinese employees, can accept this phenomenon easily, as this kind of guan-xi mechanism does not only happen in our company. However, for our non-Chinese employees who are hired from other countries, they think the guan-xi mechanism in China goes beyond its networking and relationship boundaries. They are frustrated by guan-xi and say, ‘we pay them (the*

*subcontracted company), and we are not happy with their service, but we can not change them. Why is it?* (Lifeng, male, Chinese, an HR Officer in a CSOE)

This quote indicated that *guan-xi* was essentially the use of gaining favours when doing business. As Lifeng stated, due to the *guan-xi* that the senior managers had with the managers of the subcontracted company, the company could get the contract, despite the grievance from the employees in Lifeng's company. The Chinese employees seemed to get used to the *guan-xi* mechanism which was deemed to be one of the cultural values in the country. However, for the non-Chinese employees, they found it difficult to figure out the Chinese *guan-xi* logic, as they might have a more straightforward 'customer-seller' mentality. According to the non-Chinese employees, customers should choose the seller who could offer cost-effective services and/or products, and they seemed to be confused because their company paid the subcontracted company for low quality food and service.

In addition, the quote above also indicated that management members made decisions in the company regardless of the opinions of their subordinates, and subordinates had to accept and respect the decisions from above. It seemed that the Chinese employees would challenge their superiors' decisions, but not in a persistent manner. The reason behind might be that the Chinese employees prefer not to challenge the *status quo*.

Ping, a Legal Manager in a WTNC who used to work in a Chinese state-owned enterprise, delineated *guan-xi* as 'productivity' in the Chinese context:

*In China, guan-xi is productivity. If you don't have any personal network, you can do nothing here.* (Ping, male, Chinese, a Legal Manager in a WTNC)

The canteen case was an example of how *guan-xi* worked in China; *guan-xi* that companies and/or people had seemed to weigh heavier than their products and/or competencies. Gary, a Country Manager in a WTNC, confirmed the *guan-xi* philosophy that Ping mentioned, and he had much to say:



*There is always a bit of tension, again, you know, probably [the tension] comes from the Western way of doing things where we want to do everything very quickly. You know, you cope with the idea is [that] we talk to the person and arrange this. And sometime people here would say, it's difficult and you may need to build our relationship. And our reaction may be 'Just find him and **just tell him**', you know. In the UK, what I might do, you know, I may just find someone and introduce myself, arrange a meeting and go in, start to talk about our business. .... In China, [people would ask you questions] like '**Who are you?**' first of all, and they would think '**I don't know you** and I don't know **who** you know'. It takes a long time to build it (business relationship) up. So, you know, I can get frustrated by timing. Um...I also [have a] concern about how long it will take to build that relationship, for example. .... You know it's not always that straightforward. [You have to] Talk to a lot of people, because you have to do that in China, lots of meetings and deal with the relationships .... It's just about how to build relationships.*

(Gary, male, British, a Country Manager in a WTNC)

Gary believed that doing business in the UK was very different from doing business in China. When Gary started a business in China, he was very frustrated figuring out an efficient way to build up *guan-xi*, which his Chinese clients normally valued. It seemed that Chinese people would not start to do business with others seriously until they knew their partners better. Developing *guan-xi* does not only happen in China or in Asia. However, as indicated in the first quote in this section, the definition of *guan-xi* in China seemed to be broader than it was defined in other countries, as it also encompassed informal networks and personal contacts. Moreover, Gary emphasised that the time he spent on developing *guan-xi* in China took longer than the time it took in the UK.

Duncan, Gary's HR support from the parent enterprise, discussed *guan-xi* in China further:

*It took us a few years before we realised, you know, it's a long-haul game in China from the business development point of view. You don't expect quick results and you have to develop long-term relationships and trust. And, er, most Western businesses take a lot [of time] to realise that, I think. .... Our Chinese employees help us to build up our picture of how the culture works and so on.* (Duncan, male, British, an HR Director in a WTNC)

Duncan also stressed that the amount of time his company spent on developing *guan-xi* in China. Rules and regulations in the Western companies might be stricter and specified on business development rather than *guan-xi* development. Eventually the local Chinese employees, who were hired by Gary and Duncan, helped them out later on. What Gary and Duncan pointed out here was that developing *guan-xi* was not an option, but a more profound and inescapable part of life in China.

Miao, a Country Manager in a WTNC, discussed the reason that *guan-xi* is important in the Chinese context:

*Guan-xi is the way to build up mutual-trust in business relationships; if I know someone, or I am being introduced to someone through his/her network, and then he/she is more likely to pay more attention when I present my information and/or products. More importantly, he/she is more likely to show genuine interest or give feedback to me. Doing business is more efficient in this manner.* (Miao, male, Chinese, a Country Manager in a WTNC)

Miao stated that he preferred to be introduced by someone he knew through other people and/or companies. The above excerpt showed that *guan-xi* could be used to gain business advantages; when positive and trustful *guan-xi* was built, further cooperation could be developed. *Guan-xi* can be developed by introduction and Miao explained the importance of having an introduction for business development. Once *guan-xi* was built, both sides of business could get things done more efficiently and straightforward on a basis of mutual-trust. *Guan-xi* seemed to be the initial step to establish trust. Miao clearly believed that *guan-xi* could make the business process smoother. Therefore,

*guan-xi* did not only mean gaining unfair business advantages which was depicted in the first quote of this section. Rather, *guan-xi* was deemed to be an approach to facilitate communication and business development in China.

Xiang, a Petroleum Engineer in a WTNC, illustrated how personal *guan-xi* can be developed in the Chinese context:

*When we work with Chinese clients, they normally invite middle and senior technical and management officers for dinners together when we first meet, in the middle of project and when project is finished. Then drinking alcohol during the dinner is sort of way to show respect, more importantly, to let others know you better. Most of my Western expatriate colleagues found this was hard to accept at the beginning and it took them time to understand this 'guan-xi' dinner. (Xiang, male, Chinese, a Petroleum Engineer in a WTNC)*

Xiang indicated that '*drinking alcohol*' was one of the ways to develop *guan-xi* with Chinese clients. He also observed that it was difficult for some expatriates to accept this 'network building' activity initially, as 'drinking' for establishing business networks was not common in some countries' cultures. Other participants, such as Patrick, Ninling and Weng in WTNCs, also mentioned the same issue when discussing *guan-xi* in China. When Patrick was asked about *guan-xi* and 'drinking', he laughed and said that he had already accepted this Chinese way of doing business. As mentioned earlier, Patrick was a Chinese Malaysian, and he said that he understood Chinese culture better than the Westerners. Weng, an Information Support Officer in a WTNC, compared her former and current managers in a same department where she worked:

*My former manager was Indian and he was 100 per cent OK with the dinners and drinking with Chinese clients. However, the German manager we currently have couldn't understand this 'networking building' event at all and says 'Drinking with my clients is not in my working manual and it's not my job'. (Weng, female, Chinese, an Information Support Officer in a WTNC)*

Different nationals had different perceptions on developing *guan-xi*. Due to different educational systems and cultural backgrounds between China and other countries, learning styles, attitudes towards authorities, and the perceptions on *guan-xi* from the participants are different to some extent. For example, according to Gary, Duncan and the German manager above, *guan-xi* in business context was a critical issue. However, they did not expect developing *guan-xi* in China to be such a sophisticated procedure, which involved spending a considerable time waiting and drinking. Meanwhile, Patrick and the Indian manager seemed to deal with the *guan-xi* in China well and accepted the procedure easily. Within the discussion above, the findings indicated that Chinese employees would develop *guan-xi* in an informal and personal approach.

Furthermore, Weng, also noticed that Chinese employees would like to develop a close and personal *guan-xi* with their managers and colleagues.

*When I was in a Chinese state-owned enterprise, the guan-xi among employees was very close. For example, managers could discuss children education and other family issues with subordinates. I lived in the same community with all my former colleagues, so we were also neighbours. Everyone knew each other very well. Since I moved to this company, people tend to talk more about our jobs. Although we have some team-building exercises, such as annual dinner and family day, the guan-xi I have here is still at work level. The guan-xi among the employees is quite distant and some people may call this kind of guan-xi as 'professional'. However, I think we can find a neutral solution; we work professionally, and we also need personal contact and guan-xi at work. (Weng, female, Chinese, an Information Support Officer in a WTNC)*

Weng pointed out that 'being professional' and 'developing personal *guan-xi*' were not contradictory to each other. The Chinese employees, especially those who used to work in Chinese state-owned enterprises, would prefer to have a closer and more personal *guan-xi* with their colleagues. The *guan-xi* in the Chinese state-owned enterprises was a traditional value that was originally from the Chinese collectivistic and parental culture.

Thus, the Chinese employees might still prefer to maintain a personal *guan-xi* at work and also outside work.

Huang, a Chief Geophysicist in a WTNC, who used to work in a Chinese state-owned oil and gas enterprise, gave an example of how he intended to develop a personal *guan-xi* with his colleagues in his present company:

*For our Chinese people, when we have a good guan-xi with our colleagues at work, then we would develop a personal guan-xi with them as well. However, this may not be the case in foreign transnational corporations. One day, one of my American colleagues was too busy to pick up his two children from school. I thought we knew each other pretty well at work, so I said to him that I could pick up your children. Then he asked me, 'have I ever asked to help?' He also said that he only worked here and his personal business had nothing to do with me. I was really embarrassed at that time. (Huang, male, Chinese Canadian, a Chief Geophysicist in a WTNC)*

Huang's quote indicated the potential cross-cultural misunderstanding related to *guan-xi* development. What Chinese employees valued as important might not be acknowledged or appreciated by employees of other nationalities. According to Weng and Huang, the Chinese participants would expect to develop a personal *guan-xi* with their colleagues. In contrast, for some non-Chinese national participants, personal *guan-xi* might violate privacy, which originated from individualistic culture. Cross-cultural differences might be one of the reasons for adopting gradual staff localisation in WTNCs. Overall, Chinese employees know Chinese cultural values better and they could avoid possible cultural conflicts and tensions at work.

Moreover, Yiran, a Manager of International Department in a CSOE, explained why he preferred to work with ethnic Chinese expatriates in WTNCs.

*When I work with non-Chinese people, for example, with a Country Manager from North America, the guan-xi between two of us could only stay at the work level due to language factor and cultural*

*differences. They (non-Chinese managers in WTNCs) do business officially and professionally, but our Chinese people normally expect to develop guan-xi at both work and personal levels. This is why there are some ethnic Chinese managers in foreign transnational corporations. These Chinese managers know the Chinese culture better; they understand the importance of developing personal guan-xi with Chinese partners, as personal guan-xi can facilitate their business development in China. (Yiran, male, Chinese, a Manager of International Department in a CSOE)*

According to Yiran, it seemed that, in addition to formal working contacts, Chinese people expected to develop informal personal relationships. That was the reason that WTNCs assigned ethnic Chinese expatriates to develop their business in China; the ethnic Chinese managers knew Chinese culture well so that they could build a trusting relationship with their Chinese partners and employees easily. His comments indicated the importance of establishing personal *guan-xi* in doing business in China.

### **6.3.2 Valuing seniority**

*Valuing seniority* referred to the accepted norm of respecting higher organisational ranks and social status of the participants' colleagues and clients, and the amount of comfort that the employees felt in showing initiatives and contributing ideas. At first glance, this cultural theme may sound similar with the high power distance phenomenon at work. In the high power distance culture, subordinates are more likely to accept that the power is distributed in terms of certain hierarchical status and/or positions. In contrast, people in the low power distance culture, expect that the power is distributed evenly and democratically regardless of status and/or positions. However, *valuing seniority* also implies that the participants did not only respect higher organisational ranks and social status, but also valued and tried to achieve higher ranks at work.

Ping, a Legal Manager in a WTNC, illustrated the power distance in the Chinese society as:

*It may be the most common thing you should do in Chinese companies: follow your superiors' will and do what they want you to do.*

*Subordinates always take their superiors' words and orders in the first place, because it is superiors that make decisions, not subordinates. (Ping, male, Chinese, a Legal Manager in a WTNC)*

In the business context, the 'superiors' that Ping mentioned were the managers in a Chinese state-owned oil and gas enterprise where he used to work. This quote indicated that subordinates should listen to and do what their superiors said in the Chinese enterprises. In other words, superiors might not like to hear opposing opinions from their subordinates.

Similar to Ping, Jianjun, a Project Manager in a WTNC who had work experience in another Chinese state-owned oil and gas enterprise, pointed out that one of the outcomes of respecting hierarchical power and decisions was to keeping quiet in Chinese companies.

*Subordinates seldom speak when their managers are next to them. Even if you say something, superiors would not listen anyway. (Jianjun, male, Chinese Canadian, a Project Manager in a WTNC)*

It seemed that hierarchical status and/position caused communication distance between superiors and subordinates. Due to the distance existing, subordinates would contribute less at work as superiors were the ones who made decisions and took responsibility. In addition, it is worth noting that building personal *guan-xi* and accepting hierarchical power are not contradictory perspectives. As mentioned by Weng in Section 6.3.1, the employees in Chinese state owned enterprises tended to establish close relationship with their managers and colleagues, and the communication among them seemed to be limited to their private life, such as children education and family issues. However, it did not mean that the employees would propose opposing opinions openly at work. According to Ping and Jianjun, it seemed that some managers in Chinese state owned enterprises might not like being challenged by their subordinates with different views. Therefore, the subordinates might need to keep quiet in order to maintain the *guan-xi* with their managers at work.

In contrast, A Procurement Officer of Supply Chain Department in a WTNC, Jun, who also moved from a Chinese state-owned enterprise, described the management style in his present company:

*One of my old friends who is working in a Chinese state-owned oil and gas enterprise, has been recently promoted as a head of one department. He asked me if I could tell him some management policies and practices that were implementing well in my present company. I said 'No', and the reason is simple: our business operation is based on every single person's efforts in the company, while yours is only counted on managers who take all power and responsibilities. In our joint-venture project and there are employees who are from our Chinese partner's company and they just totally rely on others, on their managers, as they have got used to not having any initiatives and responsibilities. (Jun, male, Chinese, a Procurement Officer of Supply Chain Department in a WTNC)*

Jun emphasised that individual contributions and efforts were encouraged in his current company. It was also indicated that management policies and practices which were adopted by WTNCs would not work in the Chinese state-owned oil and gas enterprises until the managers in these Chinese enterprises distributed their power to their subordinates and valued diverse views from the subordinates.

WTNCs encouraged flat and open management structure in the companies. However, they needed to cope with the cultural values which were embedded within their Chinese business clients. Paul, an HR Vice President in a WTNC, presented several ways to illustrate how power distance was created in his company responding to *valuing seniority*:

*We adapt job titles of our employees who are assigned to China. For example, we need to put a 'director' on someone's business card. In theory, his [or her] position and job are not at director level. However, we have to put a 'title' to match the clients who are from Chinese state-owned oil and gas enterprises. In our global operations,*



*HRM system is more programmatic and simplistic. We are more arrogant and less flexible in other countries, but we have to change our ways [of doing things] in China. Again, like someone has a PhD degree, and a 'Dr.' title has to be on his [or her] business card as well. One of our chief scientists has two 'Dr.'s in front of his name. 'Dr.' is used more in academia rather than in industry but we have to do it in China to show the status [of the chief scientists] and power distance. One of our economists in the Chinese affiliate, he has two different business cards. One with 'Dr.' and he uses it in China, while he uses another one without 'Dr.' in other countries. (Paul, male, British, an HR Vice President in a WTNC)*

Paul's company adapted the cultural value of *valuing seniority* by changing and adding higher *titles* to present status and/or positions which were valued by their Chinese clients and/or local employees. Moreover, offering senior titles to Paul's Chinese employees did not mean increasing salary packages of these employees, as the company only changed *titles* on business cards. In this manner, the employees from WTNCs would be respected and trusted more in China. Paul's company was not the only one that found the solution for *valuing seniority* cultural value. Miao, a Country Manager in a WTNC, also mentioned that:

*'Face' seems to be a cultural tradition in China. .... You would find 'manager of project A or B or C titles in all our Chinese employees' business cards, and there is no secretary or engineer. You just do not know how big the project A or B or C is. That's the way we present our 'faces'. (Miao, male, Chinese, a Country Manager in a WTNC)*

Miao also indicated the importance of presenting *higher titles* in China. The higher the title was, the further the distance was. In this manner, the employees in WTNCs would gain more respect from their Chinese business partners so that business interactions could be smoother. It also was indicated that *title* was important in order to get access to the right people in desired companies. The higher the title, the easier it was to develop *guan-xi* and obtain appointments with the decision makers of the companies. Therefore, *titles* were used not only for facilitating business operations, but also for gaining esteem

or dignity at work. It seemed that both companies and employees in China valued and used ‘*seniority*’-higher titles, to create distance between different hierarchical levels. Moreover, employees also tended to gain and achieve higher organisational ranks and social status to have more respect from others. In the next Chapter, the concept of ‘*valuing seniority*’ was also used as a part of career development in company.

Moreover, Ran, a Personnel Manager in a WTNC, found that some managers in the company still had the cultural value of *valuing seniority* and behaviour. Ran also perceived that there were two sides of this traditional mentality:

*If you are going into [an] Asian culture, it's very typical for [a] subordinate not to disagree in any way shape or form with [a] manager, right? No matter [whether] manager is correct or not, right? Now if we want to grow this Chinese [manager] to be, er, a senior manager in the company, and that is actually very interesting phenomenon, right? If you look at Chinese national, sometime perhaps Chinese national would have difficulty in challenging his superiors, but at the same time, he would be intolerant and not receptive to his subordinate challenging his opinion, right? And we know that if he took this attitude and went to Australia or went to Canada, this attitude, this person will have a very difficult time in managing a business. (Ran, male, American Chinese, a Personnel Manager in a WTNC)*

There seemed to be a contradiction in the *valuing seniority* cultural context; Chinese managers could be uncomfortable with different voices from their subordinates, while they could find it difficult to challenge their superiors’ thoughts and opinions. Ran argued that Chinese employees needed to adapt their communication styles by placing themselves in an open and flat communication context when working in the Western affiliates. In other words, employees in the Western affiliates would value and appreciate diverse ideas and opinions from their colleagues. Moreover, it also indicated that WTNCs might need to adapt their HR policies and practices when operating in China. The local Chinese employees who worked in WTNCs might also need to adapt

their cultural values and norms as they were exposed to overseas business practices as well as a diverse workforce.

Moreover, Qingli, a Business Development Officer in a WTNC, who used to work in a Chinese state-owned oil and gas enterprise, gave an example to illustrate the *valuing seniority* phenomenon in China:

*It's like monkeys climb trees. When monkeys look down, they can only see other monkeys' smiling faces; and when they look up, they can only see others' bottoms. (Qingli, female, Chinese, a Business Development Officer in a WTNC)*

Qingli used '*smiling faces*' to indicate the attitude that the Chinese employees had when working with their superiors, and used '*bottoms*' to indicate an opposite attitude that the Chinese employees had when working with their subordinates. The '*trees*' could be seen as a metaphor of hierarchical structure in the Chinese companies. Even if most WTNCs promoted flat communication and management styles, invisible hierarchical ranks seem to be still embedded in both WTNCs and CSOEs due to the cultural value of *valuing seniority*.

Thomas, a Chief Petroleum Engineer in a WTNC, discussed what negative consequences that managers could have under cultural value of *valuing seniority*, and showed his concerns with his Chinese employees:

*I guess, the younger Chinese national staff, particularly the ones from the national enterprises, you know, they are very, er, the jobs tend to be very, er, very bureaucratic, and very top down. You were told to do a specific task, and you only do that task, whereas in [the] Western companies, they tend to value people that, have task and do them, but also, are able to learn from what they observe, being able to use their own judgment ..... Sometimes, I notice that, say, our Chinese colleagues from one of the national oil companies, we try to be creative and [to] implement new concepts, sometimes their supervisors are not happy about that. This is the way we do it and you*

*need to do it in that way, and particularly they tend to be somewhere more risk averse. You know, rather than implementing a new idea and having things not work out so well, you know, they just don't wanna try anything until it becomes well accepted from above.* (Thomas, male, American, a Chief Petroleum Engineer in a WTNC)

The above quote suggested that the Chinese employees in some Chinese state-owned oil and gas enterprises would prefer to wait for orders from their superiors instead of using their own initiatives to solve problems. Moreover, in order to avoid taking any risks, the managers in the Chinese state-owned oil and gas enterprises did not like their employees to seek new solutions. In other words, the Chinese employees from the state-owned oil and gas enterprises seemed to be less creative and pro-active as their superiors did not encourage them to do so.

Jun, a Procurement Officer in Supply Chain Department in a WTNC, also demonstrated the employee involvement of his Chinese colleagues who moved from a Chinese state-owned oil and gas enterprise:

*It is quite difficult to ask some of our Chinese employees, especially those who used to work in the Chinese state-owned oil and gas enterprises, to work independently. For example, when you give them a task, you also need to tell them how to do it with detailed step 1, 2, 3 and 4. Otherwise, they would tell you that they do not know how to do it, or you will find out they could not manage it at the end. In my present company, we are more encouraged to use our own initiatives rather than taking orders from managers to complete the task.* (Jun, male, Chinese, a Procurement Officer in Supply Chain Department in a WTNC)

Jun's quote echoed by Thomas's and both of them addressed the fact that some Chinese employees in WTNCs needed to have orders or instructions from their superiors in order to carry out their work. These employees would not make any independent contributions because they were used to following their managers' orders. The autocratic working style was reflected here again, and it is indicated that some Chinese

employees in WTNCs still carried the working attitudes and behaviour which they had in the Chinese state-owned oil and gas enterprises.

Jun, also mentioned that the fact that the Chinese employees kept quiet and waited for orders from their superiors did not always mean that they did not know how to work. Rather, sometimes, the Chinese employees did not want to express their true thoughts because they would not go against their managers by presenting different ideas.

*When Chinese employees do not agree with their managers, in most cases, they would say 'Yes', and I believe this happens to all Chinese employees in our day-to-day work. Even if we have a better idea and solution than our managers', but we hesitate to deliver it as we need to listen and follow what our superiors say. It is really difficult for us to challenge our superiors and I think this is the key cultural difference between Chinese and other national employees. (Jun, male, Chinese, a Procurement Officer in Supply Chain Department in a WTNC)*

The above excerpt showed that the reason that the Chinese employees kept quiet at work could also be attributed to the cultural value of *valuing seniority*; when the Chinese employees had different ideas, they hesitated to express them because they were supposed to respect and follow their superiors' decisions. It was also indicated that the Chinese employees adopted an indirect communication style to harmonise views and opinions at work in order to avoid conflicts or embarrassment. The reason for respecting superiors and their decisions might be that positive *guan-xi* between superiors and subordinates might be developed and maintained by doing it. In this manner, *valuing seniority* seemed to be interlinked with *guan-xi* cultural value.

Jianjun, a Project Manager in a WTNC who worked in a Chinese state-owned oil and gas enterprise for over ten years, gave another example from when he just started to work in his present company:

*I joined in this company as a Chief Engineer. In the first couple of months in the company, I hardly spoke when I had meetings with*

*management members, because I thought the managers were the ones who made decisions, not people like me. One day, my manager told me that the managers expected more professional opinions from technical experts and he encouraged me to speak up. This is quite different from the working style in the Chinese state-owned (oil and gas) enterprises. (Jianjun, male, Canadian Chinese, a Project Manager in a WTNC)*

This quote again echoed the organisation culture of WTNCs, which promoted diverse opinions and appreciated differences regardless of hierarchical status and positions. WTNCs realised that their Chinese employees would keep quiet due to the cultural value of *valuing seniority*. Then the managers of WTNCs attempted to encourage their Chinese employees to present their ideas and views.

Ninglin, an IT Engineer in a WTNC, highlighted the solutions that her company adopted to encourage Chinese employees to have open communication styles:

*Most our Chinese employees are not very out-spoken. Nobody wants to speak first. So we normally start discussion with easy questions and pick some employees to answer them. Especially in training workshop, we have various rewards for those who answer questions and present their ideas. (Ninglin, female, Chinese, an IT Engineer in a WTNC)*

Ninglin's company encouraged its employees to be more open by giving rewards at meetings and training sessions. In addition, some WTNCs also used 'post-it' notes to promote flat and open communication in companies. In this manner, the Chinese employees could write their ideas and opinions on post-it notes and present the notes on board anonymously.

Moreover, Chun, a Team Leader in a WTNC, addressed the fact that Chinese employees needed to be encouraged to speak up in order to develop their experience and potential:

*Some senior expatriate managers, especially those ethnic Chinese expatriates and those who have been working in China for a while,*

*they know that they need to patiently encourage Chinese employees to present their thoughts and opinions. After all, Chinese employees are majority people in the company and you need to communicate with them and explore their potentials.* (Chun, male, Chinese, a Team Leader in a WTNC)

Chun had worked in his current company for twelve years and he had been assigned to over five countries. As one of the Senior Officers in the Chinese affiliate, he had international experience and a good knowledge of Chinese culture. Chun argued that there was potential in Chinese employees and the Management team needed to explore that potential in a way that was more appropriate to Chinese cultural values.

### **6.3.3 The importance of the ‘human factor’**

The importance of the ‘human factor’ referred to the norm of whether the participants in WTNCs and CSOEs would work by involving their own preferences rather than by following regulated rules and regulations.

Liang, a Senior Manager of Business Development in a WTNC, perceived that:

*Chinese people think over questions and always can find some ‘smart’ ideas which normally are not based on rules and regulations. We (Chinese people) always laugh at the Westerners and say that they are track-minded. However, the ‘track-minded’ people make their rules and stick to the rules, whereas the ‘smart’ people don’t always follow the rules. Obviously, the first system is more reliable and consistent, and this is the system that Chinese companies need to develop.* (Liang, male, Chinese, a Senior Manager of Business Development in a WTNC)

This quote indicated that, according to some Chinese employees, the ‘Western’ communication style was simple and straightforward because they respected and followed rules. The management systems of WTNCs were deemed to be detailed and consistent and were considered as operational mechanism that companies could rely on. In contrast, Chinese employees would adapt terms and conditions in terms of their own

experience and perceptions. There is a Chinese saying; rules are made by people. Therefore, if people can make rules, then they can change rules if necessary. Confucianism emphasises the power of people and believes that only people can change themselves, not other people, nor other rules and regulations.

Gary, a Country Manager in a WTNC, illustrated a 'Western' way of doing things:

*It's a quite legal approach to things. Management [members] want to have no risk to themselves of being responsible for anything. So everything is rich and well documented. Take HSE (Health, Safety and Environment) for example, everyone is joking about oil companies when you have to hold the handle when you walk down steps. You know, what difference can it make? However, it's very strict and we have to do it. (Gary, male, British, a Country Manager in a WTNC)*

Gary indicated that the Westerners respected and followed rules and regulations in order to be well-protected by detailed-written paper work, although they might not think that some rules and regulations made too much sense. In contrast, Li, a New Business Development Officer in a WTNC who used to work in a Chinese state-owned oil and gas enterprise, addressed the fact that although the Chinese enterprise learnt from WTNCs and developed well-defined and regulated management systems, these written rules and regulations seemed not to be in use.

*There are HSE [Health, Safety and Environment] menu and other management related paper-work in the Chinese state-owned enterprise where I used to work. However, these written rules are hardly being implemented by my former colleagues. Once, when I reminded them to fasten their seat belts in a car, they all laughed at me. (Li, female, Chinese, a New Business Development Officer in a WTNC)*

Li argued that the pre-defined rules and regulations were not accepted nor implemented by her former Chinese colleagues. Linking this quote with Liang's statement, it is indicated that the Chinese state-owned enterprise did not only need to 'borrow'



management policies and practices from their Western partners. More importantly, the Chinese enterprise might need to integrate the ‘borrowed’ policies and practices within their organisational cultures in order to change and guide their employees’ work attitudes and behaviours.

The flexible and inconsistent working methods in CSOEs also affected their Western partners’ business operation in China. Guanqun, a Reservoir Engineer in a WTNC, mentioned that:

*When we sign a contract with a Chinese state-owned oil and gas enterprise, it is very difficult for us to adhere to the rules 100 per cent in a contract. For example, sometimes we can not complete projects on time because managers from the Chinese enterprise are not in China and they can not have meetings with us by deadlines. When [a] project is delayed, our labour cost increases and we have less profit. If it were managers from the Western companies, they would make all efforts to meet by deadlines even if they were clients. In China, written documents, such as contracts, are not unchangeable, as there are the ‘human factors’ involved. The ‘human factor’ is another kind of ‘Force Majeure’ (superior force) in the Chinese context. (Guanqun, male, Chinese, a Reservoir Engineer in a WTNC)*

This quote referred to the ‘*human factor*’ as one of circumstances that went beyond the control of human beings, such as a war and natural disaster. It is indicated that employees in WTNCs had a rigid schedule that had to be respected, as the schedule of project was written and agreed by both sides. In contrast, the clients in the Chinese state-owned oil and gas enterprise seemed to have a little more flexibility with the contract. Therefore, it is indicated that the Chinese partners of WTNCs might not respect or fulfil all conditions in contracts as what WTNCs normally do.

Moreover, Weng, an Information Support Officer in a WTNC, demonstrated different perceptions on the importance of the ‘*human factor*’ in China from her German and Indian manager, and stated their respective solutions with regard to the ‘*human factor*’:

*My present manager is a German and he strictly follows all the rules and regulations that our company has. However, you know, in the Chinese state-owned oil and gas enterprises, from setting up a project to getting funding is a long-haul and a complex process which we call 'irresistible human factors'. My former manager was an Indian and he could even start a project with one of the Chinese state-owned oil and gas enterprises without any contract or paper work. In contrast, the German manager won't start any job until he has got a written and signed contract. Therefore, we Chinese employees have to take care of both our German manager and Chinese clients. We explain to the German manager that, this is the Chinese way of doing things, and the Chinese state-owned oil and gas enterprises are very reliable and they will pay us at the end. Then we have to push our Chinese clients to sign [the] contract as soon as they can. (Weng, female, Chinese, an Information Support Officer in a WTNC)*

This quote showed that the Chinese business partners pay little attention to detailed terms and conditions in contracts, as they could even start projects without any paper work. Similar to what Guanqun mentioned earlier, even if contracts were signed, the Chinese business partners would not respect and follow them. Both Guanqun and Weng highlighted the importance of the '*human factor*' in the Chinese context.

Moreover, similar with the different attitudes towards *guan-xi* which has been presented in Section 6.3.1, these two managers' attitudes towards paper work were different again. The German manager could not accept to start projects without paper-work, even with the Chinese state-owned oil and gas enterprises. Then Weng and her Chinese colleagues had to communicate with both their German manager and Chinese clients to facilitate project development. In contrast, it seemed that the Indian manager that Weng mentioned was more familiar with the importance of the '*human factor*', as the Indian manager might have similar cultural value. Therefore, the Indian manager did not follow related business policies in the company and commenced projects with the clients from the Chinese state-owned oil and gas enterprises without contracts at the beginning of projects. It is indicated that the Chinese employees in CSOEs might not be the only group that did not respect written rules and regulations. Some other employees

in WTNCs, such as the Indian Manager, also fail to follow the company rules and regulations in order to complete projects in China.

In addition, Yaowei, a Reservoir Engineer in a WTNC, perceived that the rules and regulations from her parent enterprise were not totally accepted and implemented in the company.

*For our engineers, we normally have an operating window which specifies what you can do and what you can not do. If an issue goes beyond the window, then we have to report it to our superiors. However, our Chinese engineers always tend to ignore the window and to work with their own experience and knowledge, and they call it 'different patients need to be treated differently.'* (Yaowei, female, Chinese, a Reservoir Engineer in a WTNC)

This quote indicates that the Chinese engineers tended to find solutions in terms of their own experience rather than following the guided rules and regulations in their companies, and this also echoed Liang's statement earlier. According to Yaowei, her Chinese colleagues considered work-related cases individually and they would try to find solutions for problems which might not be allowed in terms of rules and regulations in the company.

Similarly, Qing, a Chief Geophysicist in a WTNC, also observed the differences when his Chinese and non-Chinese colleagues work solutions for same problem:

*Non-Chinese employees, especially the Westerners, they always work out solutions within the company's rules and regulations. They won't go beyond their limit, so they are well-protected by the company. Chinese employees sometimes go beyond the rules and regulations because they don't have a regulated system mentality. Finally they may get themselves in trouble.* (Qing, male, Canadian Chinese, a Chief Geophysicist in a WTNC)

Qing argued that the Chinese employees risked their work by not following the rules and regulations at work. He indicated that the system developed in the company needed to be respected by all employees, and in return, the employees could be protected by the system.

Yiran, a Manager of International Department in a CSOE, mentioned that there was a common phenomenon in WTNCs:

*In most Western oil and gas companies, top management members are either Chinese or overseas Chinese who can speak Chinese and know Chinese culture. However, in key operation process, most top technical professionals are from Western countries. The Chinese management team is in charge of market development and expansion in China, whereas production and exploration are mostly done or supervised by foreign expatriates. In other words, the Western companies attempt to reduce the effect of the 'human factor' on technical operations so that the quality of work can be guaranteed by applying all procedures and rules from parent enterprises. (Yiran, male, Chinese, a Manager of International Department in a CSOE)*

The above excerpt indicated that WTNCs placed more non-Chinese employees in key technical positions in order to ensure consistent quality throughout the companies. As mentioned in Section 6.3.1, the Chinese managers in WTNCs had more knowledge about Chinese cultural values so that they could develop *guan-xi* quickly and smoothly with their Chinese clients and partners. In this manner, they could expand WTNCs' market share in the Chinese oil and gas market. It seemed that WTNCs used the cultural advantages of both Chinese and the Western employees; the Chinese employees knew how to develop positive and trustful *guan-xi* while the Western employees would fully respect and follow regulated rules at work.

Furthermore, Yiran, praised the operation systems which were adopted by WTNCs. Similar with the first quote in this Section that was mentioned by Yang, Yiran contended that the Chinese state-owned oil and gas enterprises needed to learn how to develop such systems from WTNCs:

*The Western transnational corporations have very-organised systems; even you change the head of this system, the organisation is still on the same track and is running well. All business procedures are controlled by detailed rules and regulations, and there is little 'human factor' involved in the systems. For example, the CEO of one Western company can be an American this year and can be a Malaysian in the next two years, but the systems won't change. No matter whether you are American or Malaysian; you are only a system operator, but not a system creator. (Yiran, male, Chinese, a Manager of International Department in a CSOE)*

It was shown that the operation systems in WTNCs were formal and consistent; management members could manage and develop the systems during the term of their service, and they could not simply change the systems according to their own preferences. Therefore, in the Chinese context where the employees preferred to find informal solutions, the question was raised of whether companies should be regulated by a pre-defined system or by people. Thus, the question posed here was how to retain a consistent system within WTNCs and CSOEs where the Chinese employees attempted to interpret and implement the standardised policies and practices in the ways that differed from the original intention of their companies.

#### **6.4 Summary**

Within the Chinese context, the participants' perceptions of Chinese cultural values have been investigated. This Chapter has shown that some Chinese employees within WTNCs and CSOEs carried distinctive Chinese cultural values at daily work. Three main cultural themes were elicited from the participating companies: *guan-xi*, *valuing seniority*, and the importance of the '*human factor*'.

*Guan-xi* can be interpreted as networking which could exist in any organisation and country all over the world. Especially in China, *guan-xi* was considered as '*productivity*' and/or a mechanism that could facilitate communication and interactions among people. It has been shown that the Chinese employees placed a great deal of emphasis on *guan-xi*, and treasured a good *guan-xi* with their managers, colleagues and

clients. In addition, the findings also showed that the Chinese employees valued the development of personal relationships at work. In this manner, it could help both managers and their subordinates to deal with work-related problems outside the workplace on a more personal basis. Overall, it seemed that the Chinese employees believed positive *guan-xi* could facilitate communication and operation at work. The Chinese employees valued *guan-xi* more than their Western colleagues and they expected to have more time in getting to know their managers and colleagues in order to develop a close and long-term *guan-xi* with them.

Due to the culture of *valuing seniority*, the Chinese employees preferred not to express their ideas and thoughts directly and openly to their superiors. The main reason for this might be that the Chinese employees would prefer not to spoil the *guan-xi* between managers and them by presenting different opinions. Thus, *valuing seniority* can be interlinked with the value of *guan-xi*. It also encompassed the issue of *title* and Chinese employees did not only respect organisational ranks, but also social status and positions. More importantly, it is indicated that the Chinese employees might not just be *valuing seniority*, but also attempting to gain *seniority*. In this manner, people with seniority would be respected by others and would have more power and authority.

The last cultural theme – the importance of the ‘*human factor*’, appeared to be linked with *valuing seniority*, as the managers in WTNCs and CSOEs could adapt and change some policies and practices with their own preferences despite the written rules and regulations. The managers’ power and authority, and hierarchical management style were reflected in the importance of the ‘*human factor*’. In this study, although WTNCs standardised management policies and practices and organisational culture in their Chinese affiliates in order to maintain an integrated and consistent system of business strategies and principles, their Chinese employees did not totally implement those policies and practices. Meanwhile, CSOEs had well-written management systems, however, their employees did not seem to respect or follow them. In this manner, the Chinese employees would adapt and implement the policies and practices with their understanding and interpretation rather than following the regulated ones. This value relates to the view that people should be managed by the rule of man rather than the rule of regulations. It was shown that the Chinese employees in WTNCs and CSOEs tended

to interpret standardised HR policies and practices into some ways which were different from the original intention of their companies.

Therefore, it is indicated that these three Chinese cultural values were more sophisticated than those conceptualised in previous literature, as these cultural values appeared to be interlinked. In the next Chapter, HR policies and practices of WTNCs and CSOEs, and the impact of the Chinese cultural values on these policies and practices will be presented and discussed.

## CHAPTER SEVEN

# HR POLICIES AND PRACTICES IN WTNCs AND CSOEs AND CHINESE CULTURAL VALUES

### 7.1 Introduction

After outlining the three Chinese cultural values in the previous Chapter, the aim of this Chapter is to present the HR policies and practices within WTNCs and CSOEs, and to examine the extent to which Chinese cultural values influence these HR policies and practices. This Chapter starts with a discussion of the transfer of HR policies and practices from WTNC's parent enterprises to their Chinese affiliates in Section 7.2. Three HRM transfer orientations and approaches that WTNCs adopted, and the reasons for choosing different HRM transfer strategies, will be outlined. This is followed by reviews of four main HR functions, such as staffing, performance appraisal, training and development, and reward management in both WTNCs and CSOEs in Section 7.3. Meanwhile, the impact of the aforementioned three Chinese cultural values on these HR policies and practices is investigated in detail. Before summarising the Chapter, the effectiveness of WTNCs' HRM systems is outlined from non-HR and non-senior management participants' perspectives in Section 7.4.

### 7.2 Transfer of HR policies and practices within WTNCs

As discussed in Chapter Two, the three international HRM transfer orientations are: the parent enterprise's HRM system is transferred to its affiliates with little flexibility; each affiliate develops its own HRM system which reflects local conditions; and the parent enterprise and its individual affiliates discuss and choose the 'best' HR policies and practices and adopt them throughout the affiliates. These HRM transfer orientations are respectively named as, *ethnocentric (or exportive)*, *polycentric (or adaptive)* and *geocentric (or integrative)* which have been discussed in Section 2.2.1. These orientations are deemed to determine transnational corporations' overall HRM strategy in managing the differences between parent enterprises and host country affiliates. The international HRM transfer orientations and approaches of WTNCs forms the basis of this study and are discussed in detail in this section. The interview questions regarding HRM transfer orientations and approaches, such as 'Who designed the HR policies in the company? (parent enterprise, senior management team in China or jointly)' and



‘How much HRM autonomy does the company have?’, can be found in Part D of Appendix 4 and 5.

Most WTNCs have adopted standardised HRM frameworks and principles from central HR departments in their respective parent enterprises. Although there were some adaptations which reflected Chinese institutional and cultural conditions, most HR policies and practices were aligned with the HRM strategies and approaches of parent enterprises and were therefore exportive in nature. For example, an HR Advisor, Lu, illustrated a typical HRM transfer approach, which was used in most WTNCs:

*Our HRM frameworks and guidelines are designed by the central HR in the parent enterprise and we (affiliates) have a platform to give input. Affiliates can adapt central HR policies and practices according to local conditions, such as salary, benefits, annual leave, English requirement, etc. However, these adaptations need to be reported to the central HR. We are required to justify the proposed adaptations by centrally set HRM standards before reporting. This procedure is applied to all modifications of our HR policies and practices. Standardisation is highly recommended.* (Lu, female, Chinese, an HR Advisor in a WTNC)

The central HR department of Lu’s company designed and regulated every HR policy and practice in detail, and the procedures to modify these policies and practices were also elaborated. Having stated that in majority, the exportive model was adopted, Lu’s quote also indicated that there were flexibilities when adopting central HRM guidelines in affiliates, but all HR policies and practices adaptations needed to be reported to the central HR department in parent enterprise. Applying justified local adaptations in affiliates was accepted by parent enterprises of most WTNCs. Therefore, the HRM transfer approach was integrative orientated. However, final decisions regarding the adaptation of HR policies and practices were still made by central HR department in most participating WTNCs, whereas affiliates had limited HRM autonomy.

Standardised HR frameworks were adopted by most WTNCs in order to keep operational consistency throughout organisations. Employees in host country affiliates

had to follow the HR policies and practices which are adopted in their parent enterprises and other affiliates. Michael, an American expatriate who was a Business Partner in WTNCs, described the standardisation in his company:

*[It is] kind of 'brainwash'. Parent companies and their subsidiaries are pretty much similar around the world. For example, as soon as an employee starts to work in Company A on the first day, the so-called 'brainwash' has also started. Top leaders in Company A share the same organisational values and have the same international understanding. However, the HR challenges that multinational companies are facing, are the background and experience of local employees. All big names have similar problems; diverse leaders with diverse cultures have diverse workforce making the situation [in affiliates] more sophisticated. Therefore, company A has to use 'A's brainwash' to push its employees to accept A's organisational culture.*

(Michael, male, American, a Business Partner in a WTNC)

Michael had been working in the Chinese oil and gas industry over the past ten years, and some of his clients and friends also worked in some of the participating companies. However, it seemed that he did not totally agree with the standardised transfer approach of HR policies and practices that his clients and colleagues were implementing. Michael mentioned that senior management members and employees had diverse backgrounds, and some companies had imposed organisational culture from parent enterprises on overseas affiliates. This quote indicated that organisational culture was used to minimise differences among a diverse workforce. Michael interpreted the global HR frameworks and principles, however, as 'brainwashing' instead of 'standardising' employees in companies. Michael indicated that cross-cultural challenges which transnational corporations faced might not be solved by simply imposing the parent organisational culture.

Moreover, another two Chinese participants, Wan and Ling, who were a Business Development Manager and a Regional Manager in WTNCs respectively, also mentioned 'brainwashing' when asked about HRM transfer orientations of companies. These three senior managers acknowledged that there were cross-cultural differences

and there was also a convergent HRM tendency in companies. They contended that local cultural and social factors needed to be addressed by companies when implementing global HR frameworks and principles. Thus, the common problem that most WTNCs had to face and deal with was the balance between standardisation and localisation of HR policies and practices in their Chinese affiliates. An HR Director, Xiao, discussed a balanced HRM transfer orientation in his company:

*There are HRM guidelines from the parent enterprise, as well as flexibility. Country Managers and HR professionals in each affiliate can choose specific HR policies and tools, which suit local context best. For example, the ability tests and reward schemes we have developed are only applied to the employees in the Chinese affiliate. Likewise, our Indonesian colleagues have their own mentor-mentee programme which hasn't been adopted by us. (Xiao, female, Chinese, an HR Director in a WTNC)*

The HRM system in Xiao's company seemed to fit the integrative transfer orientation. Both parent enterprise and affiliates could apply their initiatives to HR policies and practices of affiliates. More importantly, country managers and HR professionals in Xiao's company had more HRM autonomy than the HR professionals in other WTNCs, as they could choose to adopt central HR policies and practices, and could even develop HR tools which they thought the tools would suit host country employees best.

Standardised HR policies and practices which WTNCs brought to China were a challenge for both their local employees and business partners. Duncan, an HR Director in a WTNC argued that no matter what kind of HRM transfer orientations were implemented by companies, the consistency of HR policies and practices implemented throughout organisations was very important.

*The point here is, you have a business, say, that you want to make sure that you provide quality employment for people, but actually the structure [of HR policies and practices] can differ depend[ing] on local expectations, and maybe [on] regulations. Hmm, that is the point I am trying to get across, consistency but without being blind to*

*local customs and regulations where appropriate. So it's kind of a flexible policy making within overall, I guess, a consistent HRM framework, which is what you need when you do business at the end of the day. You need core principles, you need to be pragmatic about how you translate these principles in different regions and in different cultures.* (Duncan, male, British, an HR Director in a WTNC)

Duncan was located in the HR department of the parent enterprise in the UK, and his team was in charge of central HR policies and practices design and management. He emphasised the ‘*consistency*’ in HR policies and practices when operating business in different countries. He also argued that TNCs could not abandon their ‘*core principles*’ to accommodate local conditions. The condition of interpreting HR principles in different countries, was to align the HR policies and practices of affiliates with the parent enterprise. Standardised HRM strategies were adopted to keep management consistency in the WTNC. Therefore, the solution that Duncan suggested was also to inscribe a balance between HRM standardisation and local needs.

In contrast, three participating WTNCs used the *polycentric* transfer approach. In other words, their parent enterprises did not impose any HRM guidelines or principles from parent enterprises to affiliates. Senior managers and HR professionals in affiliates could develop their own HR policies and practices which suited the Chinese local business environment. Lizhe, an Office Manager in a WTNC, discussed the HRM systems in the Beijing office:

*From employee management to company structure and policies, our company tends to be localised with 100 per cent Chinese employees and HR policies and practices. Our General Manager believes that the Chinese management style and policies would fit our Chinese employees best. The only HR policy I ‘borrow’ from my parent company is performance appraisal form.* (Lizhe, female, Chinese, an Office Manager in a WTNC)

Lizhe was in charge of HR and other non-technical management area in her company. Her company had almost no transfer of HR policies or practices from the parent

enterprise, and the ‘*borrowed*’ performance appraisal form from the parent enterprise was not used properly either (see details in section 7.3.2). The General Manager and Lizhe could choose and decide HR policies and practices in the company, and they did not need to report HR issues to the parent enterprise. The HRM transfer approach which was described by Lizhe, was, adopted by another two WTNCs. Three WTNCs had total management autonomy to determine HR policies and practice in their companies.

WTNCs localised not only the HR policies and practices in their Chinese affiliates, but also the majority of employees were Chinese. For example, the General Manager was the only expatriate in the company and he was ethnic Chinese. ‘*The Chinese management style and policies*’ which were mentioned by Lizhe, indicated that there were Chinese ways of doing things and the Chinese management team and employees would know how to work and interact with Chinese clients and partners best. In addition, Chenxi’s company, and Yan and Liweng’s company, which were from the UK and the USA respectively and had 20 to 5000 employees in China, also adopted *polycentric* HRM transfer approach. Therefore, adaptation of HRM transfer orientations seemed to be irrelevant with the size of company and country of origin. Different WTNCs all had their own rationales in choosing different HRM transfer orientations.

Moreover, Juan, a Vice President in a WTNC, expressed her opinion on the fully localised HRM system, which was mentioned by Lizhe above:

*Some foreign transnational oil and gas corporations I know are over localised and they operate more like local Chinese companies. We assist and advise our Chinese clients on international business development and investment by delivering advanced database and software, more importantly, international experience and management policies and practices. Our main aim is to bring ‘fresh air’ to the Chinese market, as well as to our local employees. (Juan, female, Chinese British, a Vice President in a WTNC)*

Juan is ethnic Chinese and studied and worked in the UK for fourteen years, and she was assigned by her parent enterprise to Beijing four years ago. One of her colleagues, John, who also participated in this study, considered Juan as being ‘*a British expatriate*’

rather than Chinese. However, Juan thought of herself as a Chinese expatriate, and from her perspective, she considered the international experience and technologies, and standardised management policies and practices and organisational culture from parent enterprises, as the competitive advantages of foreign transnational oil and gas corporations. She stated that the competitive advantages of these corporations were what Chinese companies needed and could be of help to develop their business operations. More importantly, Juan argued that foreign transnational oil and gas corporations could not lose their international competitive advantage in terms of knowledge and management strategies in China by over-localised policies and practices. Similarly, another two Malaysian-Chinese managers in WTNCs, Patrick and Lian, also used '*international flavour*' and '*international style*' respectively to address the importance of adopting standardised HR policies and practices in their Chinese affiliates.

Among the participating WTNCs, most of them formulated HR policies and practices by central HR in parent enterprises and they adopted integrative HR orientation and transferred HR policies and practices to their Chinese affiliates. Only one HR Director stated that senior management and HR professionals in his company could develop HR functions with great autonomy and flexibility. Nevertheless, the HR framework in this company was still transferred from its parent enterprise and was treated as an HRM guideline - a benchmark by its Chinese affiliate.

Due to the diverse workforce in WTNCs, these companies, on the one hand, chose to transfer their standardise HR policies and practices to the Chinese affiliates; on the other hand, these companies attempted to integrate Chinese social, institutional, and cultural differences when implementing HR policies and practices to enhance organisational performance. There were few companies that had little involvement in HR policies and practices of their Chinese operations.

The following section investigates the policies and practices within four main HR functions in WTNCs and CSOEs and the impact of Chinese cultural values on these policies and practices.

### **7.3 HR policies and practices in WTNCs and CSOEs and the impact of Chinese cultural values**

This section presents the policies and practices of recruitment, selection and retention, performance appraisal, training and development, and remuneration in both WTNCs and CSOEs. The Chinese cultural values and norms which were reflected in these policies and practices are also discussed. The purpose of this section is to examine the extent to which HR policies and practices of WTNCs are influenced by the Chinese cultural values. The questions regarding HR functions and effectiveness of these functions can be found in Part F to J from Appendix 4 and 7.

#### **7.3.1 Staffing**

WTNCs and CSOEs adopted fairly similar recruitment channels, selection criteria, and retention strategies in China. Selection criteria are normally determined by the type of industry and the nature of the job. In the oil and gas industry, there are main operations, such as upstream and downstream production, as well as supporting functions, such as finance, IT, and HRM. Lian, a Sales and Marketing Manager in a WTNC, discussed the selection requirement in his company:

*We narrow the [selection] list to the most academic superior universities in any given country that we are in. The first criterion is academic performance. So if graduating from top universities [sic], [there is] no reason for me to assess if he has a good academic background and I'm assuming he does because he graduated from that university. That's why we select top academic universities. After academic performance, then we looked at, you know, leadership skills, communication skills, and team working skills. If you are lacking in any of those qualities, then we don't hire you. I would not hire somebody who has no communication skills, for example, simply because they have excellent academic performance. It's all about the balance, right? (Lian, male, Chinese Malaysian, a Sales and Marketing Manager in a WTNC)*

In order to maximise recruitment quality and efficiency, Lian's company limited its selection sample to a list of top universities and petroleum institutes in China. Apart

from academic abilities, the company also looked for leadership, communication and team-building skills from candidates. Lian's company had a set of expectations from candidates and hoped to select those who could meet those expectations best.

Most WTNCs' parent enterprises formulated selection criteria in their affiliates, including their interview questions and ability tests. Competency in English language skills was one of the key selection criteria in the participating companies. Yao, an HR Manager in a WTNC, illustrated selection criteria and adapted requirements in her company:

*We call it (our selection criteria) CAR, which are Capacity, Achievement and Relationship. The selection is adhered to these three principles with a matrix selection procedure. As long as you can fulfil these three criteria, you can then work in our company. English (language) skills are one of our global selection requirements. However, we adapted this requirement in China since 2006 and decided that only management level and some key technical positions need to speak English or another second language. (Yao, female, Chinese, an HR Manager in a WTNC)*

Yao's company also provided a selection structure of assessing people, and its selection criteria focused more on candidates' performance and relationships. The requirement of English skills was adapted in Yao's company. The company made English skills a non-mandatory selection requirement for some positions, such as technical and administration staff that mainly worked with local Chinese clients and organisations and were not expected to have overseas assignments. Another eleven participants from seven WTNCs also mentioned the adapted language criteria in their respective companies and stated that candidates could also choose to have recruitment interviews and tests either in Mandarin or in English. Furthermore, Yao's colleague, Jun, a Procurement Officer of Supply Chain Department in a WTNC, perceived the adapted English requirement in a different way:

*In the Western transnational corporations like mine, English skills are a fundamental capacity you should have. The company may not*



*promote you only because you can speak perfect English, but if your English is not proficient at working level, you would definitely not get promoted. I've seen people who had good language skills but not good technical skills getting promotion, but not the people who have good technical skills but not language.* (Jun, male, Chinese, a Procurement Officer of Supply Chain Department in a WTNC)

Jun stressed that although his company changed the language recruitment criteria from English only to both Chinese and English, language ability was still considered to be an important factor for employees' career development in his company. As mentioned earlier, most WTNCs assigned expatriates across their companies all over the world, and English was a common language in WTNCs. Jun's quote indicated that it was important for the employees in WTNCs to have good language skill in order to communicate with expatriates. Moreover, the employees also needed to improve their language skills if they wanted to be assigned abroad and to gain more international experience.

CSOEs had similar selection requirements, such as academic performance and language skills, as WTNCs. Moreover, all HR professionals in CSOEs mentioned other critical criteria in selection process. A Senior HR Officer, Zeng, concluded general selection criteria in CSOEs:

*Candidates should be under 45 years old, should have a Bachelor degree or above, and speak English or Russian as a second language. Team-working attitude is important as well. The specific selection criteria for different positions, of course, are various.* (Zeng, male, Chinese, a Senior HR Officer in a CSOE)

Age was deemed to be the first and a crucial criterion in CSOEs. The reason for recruiting candidates who were under 45 years old was, as Zeng explained later on, there were a lot traveling and physical work involved in the oil and gas industry, and younger candidates might be more suitable for this kind of work. However, another two participants from CSOEs, Sheng and Nan, argued that the reason for recruiting younger candidates was the employment pressure in China. Therefore, the Chinese state-owned

enterprises had to create more job opportunities, and gave recruitment priorities to younger candidates. Both Sheng and Nan were at middle and senior management level and had been working in their current CSOEs for over thirty-seven years. They stated that, for those non-managerial and non-professional technical employees, CSOEs had imposed an ‘early retirement scheme’ on them to ‘evacuate’ positions for younger people.

The recruitment channels of WTNCs and CSOEs were similar to each other, with internal and external recruitment strategies. Internet search engines, head hunters, advertisements in local and national media, personal referring, Beijing Foreign Enterprise Human Resources Service Co., Ltd (FESCO), campus recruitment, and online recruitment in companies’ websites, were the most common external recruitment methods that the participating companies adopted in China. Yan, a Director of HR and Administration in a WTNC, outlined the recruitment channels adopted by her company:

*We draw the experienced talent through internet job engines and head hunters, and fill the qualified junior positions by campus recruitment.*

(Yan, female, Chinese, a Director of HR and Administration in a WTNC)

According to Yan, professional recruitment service providers seemed to be the most efficient channels for finding experienced candidates, as the networks of these providers were scattered over the country. Internet job engines, head hunters were used for recruiting professional and experienced technical and managerial posts. Professional recruitment providers, such as [www.51jobs.com.cn](http://www.51jobs.com.cn), FESCO, and head-hunting agencies, were frequently mentioned by both HR professionals and other participants in WTNCs when interviewed. They were popular recruitment resources used by WTNCs. In addition, five HR professionals in WTNCs also mentioned that their companies encouraged employees to recommend skilled people in their personal networks to apply for vacancies in the companies. Personal contacts and referrals from employees were deemed to be a cost-effective recruitment approach by the participants. Moreover, campus recruitment, which was also discussed by Yan, was another popular channel for recruiting junior staff.

Moreover, a Personnel Manager in a WTNC, Ran, addressed the importance of using campus recruitment and pointed out that companies had built up relationships with the universities and academic institutes in China:

*I would say that probably over 90 per cent of employees' entry into my company is either fresh university graduates who are entering as entry level technical position, or they are 'mid-career'. When I say 'mid-career', I mean [the people who have] more than, say, 3 years working experience [and those] who enter the company at a, er, more senior technical level, but [they] are still not at the level of management. So what I mean is that I don't recruit managers to send out to China and I don't recruit managers who work inside China. We have a very strong policy which we promote from within. We prefer to recruit fresh graduates because they haven't been 'contaminated', and you know what I mean (laugh). Fresh graduates accept our company values and culture more easily and we spend loads of time and money to train them well. (Ran, male, Chinese American, a Personnel Manager in a WTNC)*

Most candidates recruited by Ran's company, were new graduates or used to work at a technical level. Moreover, Ran stated that his company preferred to recruit more graduates than mid-career candidates, because graduates had not been '*contaminated*'. The quote above indicated that '*contaminated*' candidates were those who had been engraved in other companies' values and norms, and would less likely accept and follow the current company culture. Another twelve participants, such as Ran's colleague, Lian, who was a Sales and Marketing Manager, gave similar responses to the excerpt above and addressed the company's recruitment preferences on fresh graduates. Interestingly, Lian also used '*contaminated*' to describe the candidates who were not graduates and had already work experience in other companies. Lian also emphasised candidates' abilities to accept current company culture. In other words, the staff selection process in WTNCs was also used to screen out those candidates who would not readily conform to organisational culture from parent enterprises.

It is also worthy to note that both Ran and Lian were ethnic Chinese and grew up in Chinese families in the USA and in Malaysia respectively. They had international experience, could speak fluent Chinese, and they were at senior management level in company. Ran assumed that the researcher knew what '*contaminated*' meant by stating '*you know what I mean*', as the researcher herself was a Chinese student who studied in the UK. Therefore, the researcher presumed that the word '*contaminated*', which was mentioned, by Ran and Lian indicated the negative impact that Chinese cultural values brought along with Chinese candidates who had work experience in other companies. Then those senior ethnic Chinese managers seemed to consider the employees who used to work in the Chinese state-owned or other companies as 'outsiders' initially. They attempted to recruit fresh graduates as much as they could in order to minimise the 'bad influence' from outsiders, as they needed more time to train those 'outsiders' to accept current company culture to be 'insiders'. Moreover, Ran also emphasised the '*promote from within*' policy. In other words, the talent development plan of Ran's company was focused on graduate employees rather than others.

Furthermore, Ran's colleague, Hua, a Petroleum Engineer in a WTNC, depicted university graduates as '*blank paper*'. Entering company as a '*blank paper*' herself, she argued that 'mid-career' employees found it very difficult to get promoted:

*They (managers and HR professional in company) would rather train 'fresh' (graduates) to management positions slowly, instead of promoting mid-career [employees]. A graduate student is like a piece of blank paper and company can draw anything on it. Most managers in my company have been working here since they graduated. 'Mid-career' [employees] who moved from the Chinese state-owned or other companies need to wait much longer than graduates to get promoted. (Hua, female, Chinese, a Petroleum Engineer in a WTNC)*

Graduates were treated as the people who could easily accept organisational culture and policies. In contrast, it seemed that mid-career employees would not acknowledge current company's values and principles as easily as their graduate colleagues. The reason was, from their management level's perspective, the '*paper*' of 'mid-career' employees had already been 'drawn on' by other companies. However, most HR

professionals and senior management members from WTNCs also stated that they would prefer to select candidates who would readily conform to the culture of parent enterprises. It is indicated that WTNCs were looking for candidates with open-minds and flexible working attitudes, regardless of whether they were graduates or 'mid-careers'. Ran, Lian and Hua's company might attempt to minimise the company culture clashes risk by recruiting more graduates.

In addition, a Director of New Business Development in a WTNC, Ying, expressed his concerns in external resourcing in China:

*We have a very wide range of choice of fresh graduates. There are several top quality petroleum universities and research institutes, and the candidates [in China] from those schools are good in quality and quantity. In contrast, there are quite a few experienced engineers in the Chinese labour market. It is hard to recruit people with high skills, such as foreign languages, professional and international experience etc. (Ying, male, Chinese, a Director of New Business Development in a WTNC)*

Ying's quote above indicated two issues in the Chinese oil and gas employment market. Firstly, there were plenty of recruitment resources and channels that could be used in the Chinese employment market. WTNCs certainly preferred to choose the best graduates from top universities and institutes. Secondly, although junior positions were easily filled by graduates, there was a scarcity of well-qualified human resources in China. The candidates who could meet international workforce requirements were difficult to find in the country.

Jiang and Xuan, who were respectively an HR Director in a WTNC and an HR Manager in a CSOE, also emphasised the shortage of qualified talent with international experience and language skills in China. WTNCs needed to compete with the Chinese state-owned enterprises, local private companies and other foreign companies to attract best talent. As most participating WTNCs had a good reputation and offered better benefits in China, they were very popular in the Chinese employment market. Therefore, the recruitment and selection of WTNCs and CSOEs in China was highly competitive.

Apart from external recruitment channels, internal employment resourcing was also implemented in most WTNCs. Yao, an HR manager in a WTNC, discussed job rotation in her company:

*We post all our vacancies in the company's intranet, and every employee in the company has the chance to search vacancies and to apply for them if interested. Before applying for those vacancies, employees have to discuss the potential positions with their line managers. Our company encourages this talent mobilizing culture very much. If there are fewer projects in China, the employees could be transferred to other oilfield frontlines overseas, instead of being dismissed. (Yao, female, Chinese, an HR Manager in a WTNC)*

According to Yao, employees were encouraged to apply for vacancies within the company. Internal applicants were required to inform their current line managers about their applications. In this way, current line managers could justify internal transfer requests and could find a balanced solution for employees and company. Moreover, current line managers could be also approached by potential managers for references. Both companies and employees could benefit from internal recruitment. On the one hand, instead of dismissing employees in one affiliate, companies transferred them to other affiliates or parent enterprises where labour was needed. In this way, companies saved the cost of recruiting new staff and retained operational consistency at the same time. On the other hand, employees gained more international experience and increased their cross-cultural awareness.

Furthermore, a Personnel Manager in a WTNC, Ran, emphasised the importance of job rotation as a means to build up a steady global talent pool:

*If you look at the jobs in my company, there are three axes. The three axes are functions, operations and locations. For example, you can be a personnel manager, which is your function, and you could change your operation group, meaning you could be a personnel manager in R&D (Research and Development) centre or in an oilfield. You could*

*also change your function in same operation group, for instance, you could be a Finance Manager or an Engineer in R&D instead of being a Personnel Manager. The third axis is geography, meaning different countries. So wherever we move people, we try to change only one of those axes and this is how we try to ensure people can be more successful by not changing more than one of these axes and give them time. This is how we develop our employees. (Ran, male, American Chinese, a Personnel Manager in a WTNC)*

Job rotation seemed to be a truly transnational sharing of human resources; employees had more chance to work in different countries and develop different skills. Most participating WTNCs had similar job rotation strategy. HR participants, such as Xiao, an HR Director in a WTNC, who was also entrusted with job rotation, claimed the mobility of talent had a positive impact on HR development in the company. Xiao also stated job rotation was an effective approach to promote knowledge sharing and improve communication and mutual understanding in WTNCs. Most Chinese employees in WTNCs found job rotation to be refreshing and helpful.

However, Jing, a Petroleum Engineer in a WTNC, had a different view on job rotation:

*Employee transfer in my company is very frequent. The company gives us opportunities to have more experience. Both you and your line manager can be reassigned to another project or another country two years later. So the common sense we have here (in my company) is: if you don't like your manager or colleagues, you just need to wait patiently for a few years and one of you will leave at sometime anyway. I have few close friends at work because we could hardly see each other once being assigned to different places. (Jing, female, Chinese, a Petroleum Engineer in a WTNC)*

You, a Petroleum Engineer from another WTNC, also stated:

*When a new manager comes, of course, he/she can see my previous performance records. If you are lucky, you may have a good new*

*manager who really cares about your training and development and helps you. However, some new managers may not bother to know you because they won't work with you too long anyway. (You, male, Chinese, a Petroleum Engineer in a WTNC)*

Jing and You's excerpts illustrated that the consistency of employee management and employees' training and development were affected by frequent employee transfers. Especially for the Chinese employees who valued long-term relationships, they needed support from their managers, as well as a confident relationship between them and managers. You's quote also indicated that the Chinese employees preferred to have more communication with managers and wished that they could get to know each other better at work. However, due to the short-term standing of both managers and employees, none of them had enough time to build up either close work or personal relationships, or both. Moreover, another participant, Jing, also pointed out another down side of job rotation across countries and within one country: if employees did not like somebody at work, they could wait to be transferred. Jing's excerpt indicated a low context communication approach that the Chinese employees had: they would rather wait patiently to be transferred, instead of telling their opinions to managers or colleagues openly and directly.

As previously discussed in Chapter Six, the Chinese employees might get used to being re-assigned by their managers. Therefore, they seemed to be waiting for their managers to get to know them. However, in WTNCs, employees needed to take responsibility for themselves and they needed to communicate with managers, rather than waiting. The organisational hierarchy in WTNCs seemed to be less hierarchical than in CSOEs. The employees could fully use their initiatives and deliver their ideas.

CSOEs also adopted various recruitment resources, which were used by WTNCs. However, instead of posting job vacancies in internet job engines and using the services from FESCO, CSOEs chose to 'borrow' employees from their affiliates on a contract basis. Hong, an HR Manager in a CSOE, discussed internal recruitment in his company:

*Apart from campus recruitment, head hunters, internet search engines, etc, we also 'borrow' talents from affiliate oilfields and petroleum*



*institutes on 1 to 5 years short-term contract basis. Due to special skills required in the oil and gas industry, we need to respond quickly by asking for help from our affiliates.* (Hong, male, Chinese, a HR Manager in a CSOE)

The purpose of internal ‘borrowing’ in CSOEs was similar to the job rotation in WTNCs. All the participating companies attempted to develop and use the best candidates in companies. However, unlike WTNCs, instead of changing functions or operations that employees used to have, CSOEs only changed locations of employees. Sheng, a Country Manager in a CSOE, mentioned that a technical expert would only work in technical field, and managerial staff could become trained in Finance, HR areas, and they always stayed at management level.

Furthermore, staff attraction and retention may be a crucial issue for both WTNCs and CSOEs, due to the scarcity of qualified talents. Employee attraction and retention were deemed to be a serious problem and was mentioned by most participants in WTNCs and CSOEs. An HR Manager in a WTNC, Yao, stressed the importance of employee retention and discussed retention strategies in her company:

*We have different special rewards and retention plans for employees at different levels. Basically we have retention strategies for the employees who are considered to be the most valuable and highly potential by top management members. Those talented employees have been offered better benefits, work and life balance, comfortable working environment etc. In general, we provide incentive programmes, such as individual development plans, training opportunities, gym membership, to motivate all employees in the company. The organisational culture we are promoting is to make our employee feel confident with their jobs and enjoy what they are doing here.* (Yao, female, Chinese, an HR Manager in a WTNC)

The employee retention schemes which were offered by the participating WTNCs were more or less similar. Career development, training programmes, extra benefits and

family friendly policies were the main retention plans adopted by WTNCs to attract, to retain and to motivate employees. Meanwhile, Ran, a Personnel Manager in a WTNC, claimed that he did not worry about attracting staff and retention too much, and was quite proud of the retention policies in his company:

*It's (the low turnover rate is) a bit unhealthy as nobody leaves, and that means we are keeping everybody no matter they are good or bad.*  
(Ran, male, Chinese American, a Personnel Manager in a WTNC)

Ran stated that the employee turnover rate in his company was too low to be good. He indicated that he would need to find a way to filter out employees with poor performance. Ran was not the only HR professional who did not see or did not want to acknowledge employee retention problems in WTNCs. Fang, an HR Manager, and Yan, a Director of HR and Administration from respective WTNCs, also stated that employee turnover rates in their respective companies were very low. These HR directors were rather more confident about their labour market position. However, in contrast, Ran's colleague, Hua, a Petroleum Engineer, did not share the same sentiments with what the previous Personnel Manager said, and she argued that:

*My company prefers to recruit fresh graduates, and the company invests a lot of time and money in training and developing graduates to middle management. Then these middle managers are very popular in the Chinese employment market. Both foreign transnational and Chinese state-owned oil and gas companies have been trying to poach our employees. For example, in 2006, three project managers who had around seven to ten years experience left the company. You can guess what happened afterwards: each employee had individual meetings with HR professionals and their line managers. Then all employees got salary increase straight away. You should organise such meetings with HR and line managers regularly and should clearly know what your employees are thinking in advance, in order to avoid job poaching. Don't lock the stable door after the horse has been stolen.* (Hua, female, Chinese, a Petroleum Engineer in a WTNC)

Hua indicated that there were serious employee turnover issues in the company, as three middle managers left the company in the same year. Moreover, her company had individual meetings with each employee soon afterwards and provided salary and other benefit increases to maintain the rest of employees and potential talent. She argued that the company should consistently review retention strategies to keep talented employees. Not only Hua, but another three colleagues also mentioned the employee retention problem in the company. Zheng who worked in the company as a Reservoir Engineer for over ten years stated that most of his friends that joined in the company in the same year like him had left one after another. Guanqun, who was a Reservoir Engineer, joined the company two years previously, also mentioned that his colleagues kept leaving. Jian, a Petroleum Engineer, had just been with the company for one year when interviewed, mentioned that her line manager even said publicly that:

*For those you are thinking of job hopping, I won't stop you. There are loads of people who are queuing for your position out there.* (Jian, female, Chinese, a Petroleum Engineer in a WTNC)

It was interesting, but was not surprising to hear the contradictory answers above between the Personnel Manager and non-managerial employees from the same company. It was understandable that Ran only discussed positive issues in the company to protect the company's image. However, in reality, it was suggested by other employees, from experienced employees to junior ones that people in Ran's company kept leaving. The situation was not healthy, and was not in a 'low-turnover' way that Ran described. As Jian stated, employees were not valued by her line manager, as the manager claimed that he could find more candidates. Although the oil and gas related jobs vacancies were becoming difficult to fill, most participants stressed that candidates were still attracted to high profile Western transnational oil and gas corporations. Jian's excerpt indicated the employment pressure in China. There were 600 million graduates in China in 2009, excluding those students who had not found a job before then (Xinhua 2008). The labour supply in China is higher than the employment demand in the country. Therefore, companies did not worry about the supply of potential junior candidates.

### 7.3.2 Performance appraisal

Appraisal approaches and criteria are the ways in which performance is evaluated, and they can be complicated at a cross-cultural level. Chinese culture is categorised as collectivist and having high power distance by some cultural scholars (for example, Hofstede (2001) and Tayeb (2005)), that is, the relationship with one's colleagues may be valued more than productivity, and subordinates may not question and challenge their superiors. This section discusses performance appraisal policies and practices within WTNCs and CSOEs, and examines whether WTNCs considered Chinese cultural values when they designed and implemented appraisal policies and practices.

Wengxin, a Manager Assistant in a WTNC, discussed the job performance appraisal in her company:

*My performance is evaluated by my line manager twice a year; in the middle of a year and at the end of a year. There are also self-evaluation and performance feedback from two of my colleagues. The line manager will assess my performance based on those three appraisal forms. Sometimes feedback from my clients also counts towards my final performance review. My performance appraisal result is directly linked with my salary increase and promotion. It's also a sort of motivation tool in the company. (Wengxin, female, Chinese, a Manager Assistant in a WTNC)*

The appraisal method which was adopted by Wengxin's company seemed to be a multi-resource feedback, or a 360-degree performance appraisal which required a high-level of employee and client participation. Another six participants from three WTNCs also mentioned the similar performance assessment tool which was adopted in companies. However, Wengxin's colleague, Fan, a Sales and Marketing Manager, stated that the performance feedback from colleagues was normally very positive as most employees in the company were Chinese nationals. He stated that the Chinese colleagues would not tell their real thoughts and opinions directly to others in order to avoid conflict at work and to maintain good relationships with other employees. Fan also argued that there was a great deal of subjectivity involved in this multi-resource assessment method. In a

collectivist cultural context, like in China, where people valued relationships, Fan questioned the reliability of 360-degree performance appraisal in the company.

Lizhe, an Office Manager in a WTNC, illustrated another appraisal tool:

*Five high impact activities you have done for the company in the last six months is the main appraisal content. You are also asked to list your skills and advantages which you have contributed. It is supposed to be a performance review that needs to be conducted by line managers and employees themselves. We are only doing the self-evaluation part at the moment as most of our managers are new to the company. The result of self-evaluation is linked with salary increase and bonus at the end of a year. (Lizhe, female, Chinese, an Office Manager in a WTNC)*

Lizhe's quotes indicated that appraisal method above was mainly based on self-assessment. This was understandable because her company just established its office in Beijing in 2006 and was still going through the process of expanding its operations. Most members of middle management in the company had only joined the company for a short time when interviewed and might not know their employees very well. Moreover, similar to 360-degree appraisal, which was mentioned by Wengxin and Fan, subjectivity could not be avoided in the self-evaluation process, which only focused on qualitative description of performance.

Most WTNCs adopted a more balanced performance appraisal approach. An HR Manager in a WTNC, Guo, demonstrated the appraisal process in her company:

*We use Individual Development Plan (IDP) and Group Performance Assessment (GPA) at the beginning of a year. You can discuss your development plan with your line manager. Then the plan needs to be uploaded in the performance appraisal system online after being mutually agreed by yourself and your line manager. Based on the plan, your performance is reviewed by your line manager quarterly. A final performance review is conducted at the end of a year. According to*

*the result of the review, you can discuss your training and career plans with your line manager. We adopt this evaluation system through all our affiliates and parent enterprise. The performance appraisal policy is the only HR function we have not changed in our Chinese affiliates so far. (Guo, female, Chinese, an HR Manager in a WTNC)*

Performance appraisal was the only HR function which Guo's company adhered to the same appraisal criteria and process as the parent enterprise and other overseas affiliates. Moreover, this standard and popular performance appraisal tool was a two-way process. Qing, a Chief Geophysicist in a WTNC, perceived that:

*When you set up your performance targets at the beginning of a year, your line manager would discuss and work on your targets with you. When you have your performance feedback at the end of a year, if you are not happy with it, you can get back to your line manager and negotiate the results with them to reach an agreement on your performance. If there is still a disagreement, then the third party, such as an HR manager, may need to be involved in your performance appraisal. (Qing, male, Chinese Canadian, a Chief Geophysicist in a WTNC)*

From designing performance objectives to assessing performance results, mutual agreement between employees and managers were respected in most WTNCs. However, when reviewing job performance by line managers, this appraisal approach emphasised individual performance and productivity instead of 'harmony' in interpersonal relations, and sounded more individualistic. It showed that from assessment methodology to criteria, performance appraisal systems in most WTNCs were not changed or adapted in terms of the Chinese collectivist culture.

In addition, the development plan, which was illustrated by Guo, was actually a performance objective assessment and it was the most popular performance appraisal system, which was used by the participating WTNCs. Ran, a Personnel Manager in a

WTNC, elaborated other performance appraisal criteria, which had more quantitative appraisal factors:

*We use Management By Objectives (MBO) and it's our standard performance method. There are eight performance evaluation criteria; results, performance, supervision, initiative, vision, execution, relationships and communication. For example, something we would describe an employee is average in relationships, [it] could be [that the employee] works satisfactorily and has a competent reputation with customers, teams, individuals, peers and subordinates. And somebody who, er, something that describes that [the employee is] outstanding in relationships, [it] could be, [that the employee] works exceeding well and has gained a high level of respect from customers, teams, individuals, peers and subordinates, champions and responsibilities for making the work place with positive environment to operate. So it's er, it's basically different levels of expect[ation]s from each categories. So basically, er, you know, if you try to, sometimes it's impossible to remove all subjective from performance evaluation and I'm sure you know. .... So the criteria for reaching a meeting expectation level are solely dependent on specific numbers, dates, and objectives things like that. Now moving from meeting expectations to the next categories, exceed that expectation, then the category above that, outstanding, is subjective (laugh). The result of your performance is directly linked with your salary increase and other benefits. (Ran, male, Chinese American, a Personnel Manager in a WTNC)*

Most participating companies had implemented a competency model which was mentioned by Guo and Ran. In these companies, this model represented the basis for their performance appraisal process, typically coupled with an MBO system. The assessment criteria were very detailed and covered requirements from job performance to working relationships. All these companies assessed both performance objectives that employees set with their line managers together at the beginning of the years, and their competencies and career development. Training and development plans, and reward

systems were also linked most clearly to performance appraisal in these companies. Most WTNCs had been using performance objective assessments; however, the subjectivity of appraisal was still difficult to remove from the evaluation process.

As discussed by Ran, there were several performance appraisal categories; Outstanding, Above Average, and Exceeding Expectations. Moreover, Zheng, a Reservoir Engineer who was Ran's colleague, added another performance expectation: Needs Development, which was the category referring to employees failing to achieve minimum standards which were set up at the beginning of the year. Most WTNCs adopted this appraisal category and divided employees in groups to fit certain expectations. Moreover, Ran also stated that the performance appraisal policies and practices in his company were transferred from the parent enterprise and were aligned with the parent enterprise' global HR frameworks and principles.

Compared with the adapted performance appraisal which was mentioned by Paul in the HRM transfer orientation section (see Section 7.2), the direct investment affiliates of Paul's company in China did not change their performance appraisal tools at all. As discussed in section 7.2, the reason for having standardised HR policies and practices was to maintain operational consistency. However, can consistency be retained by not accommodating local cultural values and norms? Fan, a Finance Manager in a WTNC, illustrated how to manage those performance management categories in his company:

*After performance evaluation, the results of appraisals would be linked with employees' training and development plans and their salary and bonus increase. Therefore, we (line managers) need to rank the results and we call it 'forced distribution'. That means, the average mark is fixed and there are about 10 to 20 per cent of employees should be high above the average and 5 to 10 per cent of them would have the lowest mark. Other employees are in the neighbourhood of the average. It's impossible to have a 100 per cent fair system for everyone. As long as policies and practices are made by people, they must be subjective to some extent. Therefore, instead of looking for a perfect appraisal tool, the more practical thing to do is to think how we can use performance results to motivate employees*



*to maximise organisational performance. I always pay 'mercy' on my employees when conducting performance appraisal. As subjectivity can not be removed, the better solution is to moderate your employees' performance, and you can reduce the gap between the top and poor performers, this may be called the 'Art of Leadership' in China.* (Fan, male, Chinese, a Finance Manager in a WTNC)

Fan's company divided employees' performance into certain categories. However, Fan stated that he did not want to offend their Chinese employees by highlighting large gaps among his subordinates' performance results. Therefore, Fan chose to moderate the results in order to motivate everyone in his team and to have a peaceful and good *guan-xi* with them. Fan did not stretch the performance results, so the initial purpose of performance appraisal - selecting the best and worst performers, would not be achieved. The purpose of '*force distribution*' was to distinguish employees from each other according to their individual performance at work. Different training and development plans, and remuneration increases were also linked to each distributed group. It showed that the performance appraisal practices in Fan's department were 'out of shape'. In addition, other participating managers also mentioned that they would adapt the standardised HR policies and practices from parent enterprises consciously or unconsciously. For example, Qiang, a Manager in a Data System Department of one of WTNCs, mentioned that he attempted to write more positive comments than negative ones in his employees' performance appraisal in order to develop a harmonious *guan-xi* between him and his subordinates. Fan characterised the adaptation of the standardised policies and practices as the Chinese '*Art of Leadership*'.

Moreover, Fan also pointed out the importance of the '*human factors*' by stating '*As long as policies and practices are made by people, they must be subjective to some extent*'. The quote indicated that subjectivity would not be removed from any HR policies and practices, and human beings could interpret the same policies into different meanings when they were from different positions and contexts. According to Fan, the HR policies and practices implementation process was not as important as using them to achieve goals. That was one of the reasons that Fan did not follow the appraisal methodology which was regulated by his company. Fan attempted to use the '*Art of Leadership*' to maximise operational performance in his department in a different way.

According to the HR professionals in CSOEs, there were also MBO, 360 degrees feedback, self-evaluation incorporating feedback from colleagues and the performance assessment team. Those assessment tools were used by WTNCs as well. Sheng, a Country Manager of a CSOE, discussed performance appraisal in his company:

*The financial and operational targets are set up at the beginning of the year. For example, revenue, cash flow, investment return, HSE (Health, Safety and Environment), etc., are all included in performance targets. We have quarterly-, semi-annually performance reviews and final review at the end of a year. There is a performance appraisal formula and each target accounts for a certain percentage. Everybody needs to have a written self-evaluation statement, which is assessed by their line managers. The result of performance appraisal is linked with salary variations. (Sheng, male, Chinese, a Country Manager in a CSOE)*

Some of the targets in the CSOE were quantitative, such as the financial ones. Moreover, managers took more responsibilities than their employees, as they were the ones who signed pre-defined performance objectives with companies, whereas employees' performance in CSOEs was only based on a self-evaluation report. Furthermore, an HR Officer in a CSOE, Lifeng, acknowledged that, although there was fully-designed performance appraisal paper work, assessment mainly focused on financial results and HSE targets. There were HR guidance and frameworks, but most managers and employees did not seem to apply to such practices in CSOEs.

Liangyou, a Geology Engineer in a CSOE, discussed performance appraisal process in his company:

*Take my job for example, I report data analysis results to my line manager every month. The appraisal criteria would be, I guess, the quality of my analysis and how hard-working person I am. Basically, my line manager should have perceived my performance at work and he ought to have a performance benchmark. However, I am not sure*

*what the benchmark is because different managers have different benchmarks. It really depends!* (Liangyou, male, Chinese, a Geology Engineer in a CSOE)

The quotes indicated that there was little consistent performance appraisal criterion in the CSOE. Liangyou, a Geology Engineer who had worked in the company for five years, did not have a clear idea of what the performance criteria were. He presumed that his manager had ‘*a performance benchmark*’ to assess employees’ performance, and Liangyou did not question his manager’s ‘*benchmark*’ in the past five years. Furthermore, he also indicated that performance appraisal criteria could be various, as ‘*different managers have different benchmarks*’.

### **7.3.3 Training and development**

Most training needs of employees were determined on the basis of performance appraisal outcomes. Due to a scarcity of qualified expertise, which was discussed in the staffing Section, training and development activities may be the key to organisational survival and growth in the oil and gas industry.

Fang, an HR Manager in a WTNC, elaborated training plans in her company:

*We have both technical and management training programmes. We are not going to try to squeeze communication skills into a technical course, So if you take an engineer for example, an engineer is expected to take two or three training courses per year and in addition to the technical training courses, the engineer would have to attend probably one to two soft skill courses as well. This kind of trainings lasts for the first three to five years of the engineer’s time in the company. That’s what we usually call initial training programme. And then after that, training becomes very individualised, depending on each person’s career and things like that. For the first three to five years, both technical and soft skills training programmes are all done in-house. For example, training can be done in our training worldwide centres, in parent enterprises and in employees’ own companies. For more advanced trainings, we have external courses.*

*We send people, like senior managers to, er, MIT (Massachusetts Institute of Technology), for example. Training and development is also a worldwide programme.* (Fang, female, Chinese, an HR Manager in a WTNC)

According to Fang, for fresh graduate entry, the three to five years orientation programmes were designed and provided, while for more experienced and high potential employees, explicit and tailor-made training plans were implemented after orientation training. Most WTNCs had fully-organised training plans for their employees from entry-level employees to the senior management team.

Graduates who were straight from universities would be provided with sufficient training and help to establish their professional competence within a certain field. For staff with high performance and/or great potential, once the foundation of professional development plan was set up, their functional managers and they sought to gain some cross-functional and/or international experience to broaden their perspectives and experience. Moreover, the experience that high-potential employees gained was also expanded across cultural boundaries. Cross-functional and cross-cultural broadenings had always been main elements of training and development in WTNCs.

Moreover, six large WTNCs have their own training centres all over the world and each training centre had its specialised training areas, either technical or management training. Other small and medium sized WTNCs then chose to conduct training in their parent enterprises and/or regional headquarters. Further education was also given to employees for advanced development.

The degree to which training was externalised mainly depended on whether the necessary training skills were available within companies, and whether training could be provided efficiently. Employees within WTNCs were developed both internally and externally. These companies put a great emphasis on external training in terms of both technical and management training needs. External training can be provided by specialised consulting companies and universities. Some companies focused on internal training. Some others had built up world-class training centres, which corresponded with their overall size and business development in China.

The content of the training programme was based on employees' positions and job categories. A Petroleum Engineer with two years experience would have a different training plan from a Sales Manager with ten years experience. Apart from in-house and external training, which Fang discussed above, other IT technology based training tools, which had also been introduced by most WTNCs. Claire, an HR Manager in a WTNC, stated:

*E-learning is what we have currently introduced and it covers all the areas required for various roles in the company. You can go to our website and do online learning. They (employees) can download online training materials to their computer hard disks. Then they can always assess online trainings. We consistently review our online programmes and try to identify the best ones we can use. (Claire, female, Indian, an HR Manager in a WTNC)*

IT technology made self-learning more convenient. Similar to Claire's company, WTNCs have been developing or trying to develop online training tools and courses. In this way, employees could assess training programmes anytime and anywhere through their computers. Most WTNCs had the reputation of training and development plans for their employees. Due to different international mindsets and background of a diverse workforce, WTNCs needed to provide training programmes to develop competencies of their Chinese employees. Shang, a Manager of New Business Development in a WTNC, presented his views on training and development:

*My company specially designs localised management training programmes - the PRC (People's Republic of China) leadership development, for its Chinese employees. More training and promotion opportunities are offered to qualified and competent Chinese employees in the company partly because of the fast economic development in the country. More importantly, I think that is the effort that our president made and organisational culture that he is trying to promote. (Shang, male, Chinese Australian, a Manager of New Business development in a WTNC)*

Both Shang and the president in his company were ethnic Chinese expatriates. These top management members identified their Chinese employees' training needs. Then they developed specific training programmes for the Chinese employees, because they knew Chinese culture and social conditions better. Training was flexible and comprehensive and leadership programmes were available for most middle and senior managers, as well as for employees who were considered to be 'leaders' in their fields. Developing Chinese employees was also treated as the organisational culture of Shang's company. Shang also stated that the president of the company had been making effort to promote this culture. This quote also indicated that the top management members valued the business development in China and gave more training and development opportunities to the Chinese employees.

However, not all training policies and practices seemed to be implemented in WTNCs. Cheng, a Principle Petroleum Engineer in a WTNC, explained that:

*Training policies and practices in our Chinese affiliate are a bit different from the training in other affiliates. For example, when I was in other overseas affiliates, we had knowledge sharing workshops among experienced and junior employees every two weeks. Knowledge sharing workshops are included in our training and development menu. However, for some reason, there is no such sharing in our Chinese affiliates.* (Cheng, male, Chinese, a Principle Petroleum Engineer in a WTNC)

Cheng stated, '*knowledge sharing*' was conducted in other affiliates where he had been to, but not in the Chinese affiliates. This quote illustrated that training and development policies and practices in Cheng's company had changed to some extent. Cheng was not sure what the exact reason for not adopting '*knowledge sharing*' in the Chinese affiliate was. He presumed that each affiliate had its own way of training and developing employees.

In addition, Cheng, a Principle Petroleum Engineer in a WTNC, had another example to illustrate how Chinese cultural value influenced the HR policies and practices in his company:

*The company always selects potential employees and sends them on overseas assignments as part of their career development plans. Once, an employee's international assignment request was declined by his line manager. The reason that the manager gave was interesting: 'I haven't been assigned to overseas projects yet, and you need to wait for your turn'. (Cheng, male, Chinese, a Principle Petroleum Engineer in a WTNC)*

The manager that Cheng mentioned above, could not accept that his subordinate got training and development opportunity quicker than him. He rejected the subordinate's request and told the subordinate to wait until he had been assigned abroad first. However, the manager might forget that one of his duties was to develop his employees and he considered his rights to training were a priority over that of his employees. This excerpt indicated that, the hierarchical value which the manager held. In this instance, superiors had more rights and power, thus, he thought that he had more priorities than his subordinates.

Cheng explained later on, this manager moved from a Chinese state-owned oil and gas enterprise. The quote above might explain the reason for WTNCs preferring not to recruit nor promote mid-career employees, especially those who were from the Chinese state-owned oil and gas enterprises. It is indicated that the Chinese hierarchical value was still carried by the manager, even when he worked in a WTNC where a low power distance culture was promoted.

Linking the performance appraisal practice which was stated by Fan in Section 7.3.2 and the knowledge sharing practice which was mentioned by Cheng earlier, it seemed that there were two HRM systems at work; one was formal and the other was a version of the formal guidelines which was based on actual situation. It was not only about the rhetoric and reality in HRM, but also about Chinese culture. Cheng characterised this phenomenon in his WTNC as '*the shadow of Chinese culture*'. Although the Chinese

employees had been selected by the Western recruitment tools carefully, and had been training with the Western HRM system, ‘*the shadow*’ would not be easily removed.

Similar to WTNCs, the participants from CSOEs also mentioned various training programmes and strategies they had. HR professionals in CSOEs claimed that they had both external and internal training. They also provided MBA and leadership programmes for management staff, and professional technical training for engineers and other employees. There was also general training, such as HSE and soft skills courses. However, Liangyou, a Petroleum Engineer in a CSOE, argued that the training programmes in his company were not implemented as they were supposed to:

*We have in-house training and most of them are technical knowledge based and quite practical. However, training programmes which are organised by headquarters or other organisations in Beijing or other tourist cities, are more likely to be the ‘company paid holidays’, which is a kind of ‘treat’ for employees. Only managers can decide who can go to such training courses. Most of time, they give [training] opportunities to those who worked very hard recently, so those employees could have a short break. (Liangyou, male, Chinese, a Petroleum Engineer in a CSOE)*

Liangyou’s quote echoed those of two participants from CSOEs, and six participants from WTNCs who used to work in CSOEs. They argued that most training courses and conferences were organised in tourist places, and they did not think the content of the training programmes were relevant to their jobs. Furthermore, as the number of training places was always limited and only managers had the right to decide who could go to such training, employees found it difficult to fulfil their training needs. The same issue was also mentioned by other ten participants who used to work in the Chinese state-owned oil and gas enterprises, such as Jianjun, Li and Weng.

Moreover, a large number of WTNCs also had mentor-mentee programmes to train and develop employees. Ying, a Director of New Business Development in a WTNC, described features of the mentor-mentee programme:



*Apart from reporting and learning from your manager and colleagues, you will be assigned a mentor who can teach and guide you. Your mentor might not be in the same department as you are, or even might not be in the same country as you are. However, your mentor is there to make sure you have regular communication and support for your work. Meanwhile, if you have been in the company over one year, you would have your mentee as well. You can be a mentor for new employees in the company. This relationship ties everyone together to work better.* (Ying, male, Chinese, a Director of New Business Development in a WTNC)

The mentor-mentee programme was an important underlying theme in career development, providing help and support to their staff through managerial members. The different training and development programmes that WTNCs adopted in their Chinese affiliates were primarily geared towards improving the individual or team performance. Ying's company also implemented 'the PRC leadership development programme' which provided more practicing opportunities with integrated content. This was specially designed for the Chinese middle and senior managers in the company. It is indicated that WTNCs had been trying different approaches to improve the competencies and experience of their employees.

The mentor and mentee approach was also used in CSOEs. All six HR professionals from CSOEs also claimed that they adopted a mentor-mentee scheme to employee training and development. Regarding career development, Xuan, an HR Manager in a CSOE, claimed that they had recently developed a new career path scheme:

*We started a pilot career development scheme in 2006 in our research institute in Beijing. The new scheme consists of two different career paths: managerial and technical. It expands the career development of technical professionals. For example, petroleum expertises can have similar compensation packages as top management members.* (Xuan, female, Chinese, an HR Manager in a CSOE)

CSOEs also developed their career plans for their employees. Career development was not a new concept for CSOEs, as they had started a pilot career scheme in 2006. The framework of career path in CSOEs was similar to the one in WTNCs. However, the main difference was that, WTNCs encouraged their employees to have cross-function and cross-cultural career development, whereas CSOEs designed respective paths for technical professionals and managerial members.

Regarding the newly developed career path and development plan in CSOEs, the non-HR participants had different opinions. For example, Sheng, a Country Manager in a CSOE, argued that:

*To be honest, there is a career development plan in the company, in theory (smiled and shrugged). We have piles of HR policies and practices documentations which are designed by reputable international HR consultancies out there. However, no one would apply those [HR policies and practice] at work, except from a remuneration system. The same thing also happened to other policies, such as HSE (Health Safety and Environment). (Sheng, male, Chinese, a Country Manager in a CSOE)*

This excerpt illustrated that the career development scheme in CSOEs, as well as other HR and social responsibility policies and practice, were still on paper. Only the reformed reward management had been implemented at the time of the fieldwork, as employees could directly benefit salary or insurances changes from it.

Ran, a Personnel Manager in a WTNC, discussed career development in his company:

*We leave it [career development] up to individual employees more or less to drive their own careers by telling the company what they want, what their hopes are and ambitions are, and the company will try to fulfil them. Of course, the plan has to depend on the performance of employees (laugh). No two careers in my company that are exactly the same. (Ran, male, Chinese American, a Personnel Manager in a WTNC)*

Ran's company tried to provide a supportive working environment to help employees to develop. As discussed earlier in section 7.3.1, Ran mentioned the three axes development strategy and stated that the purpose of job rotation in Ran's company was to share talents within the organisation, as well as to develop and increase employees' experience. Personalised career plans were dependant on individual employees' performance and initiatives. Patrick, a Supply Chain Manager in a WTNC, took his career plan as an example:

*We have opening resourcing facility. For example, I've worked for my company for 27 years and I've changed 14 jobs here. So every two to three years, we are given the opportunity to start thinking about what our next job (is). We will be matching with the boss, by the manager and myself to agree on what is the best next job for us to develop our potential to the fullest. For my company, it's always up to the individual staff. Everyone decides **their own destiny**. What I am trying to say is that there are a lot of opportunities for staff here for broadening and exposure. (Patrick, male, Chinese Malaysian, a Supply Chain Manager in a WTNC)*

Patrick's '*Everyone decides their own destiny*' indicated, that promotion and training opportunities would only be given to the people who had better performance records. In other words, the people had development potential. Similar to what Ran discussed above; for graduates, there was a standardised three to five years training and development scheme. However, further career development in companies totally depended on employees' performance and initiatives. Patrick's example was also echoed by the career plans in Ran's company. Internal resourcing and individual development were also stressed by these two managers.

Regarding career development, employees needed to be in a more positive position to request development opportunities from their managers. WTNCs also had career development schedules for the employees in different levels. However, some employees reported that they only ever heard about the career development plan, but did not have one when the interviews were conducted. Moreover, Chang, an Engineering Consultant

in a WTNC, also observed that the career development schedule could vary from time to time.

Moreover, twelve participants from WTNCs argued that they had little information about career planning and mentor-mentee programmes in companies. Guanqun, a Reservoir Engineer in a WTNC, perceived that:

*We are supposed to have a career development plan, but I don't. In other words, there are policies, but no practices, or the practices are not as healthy as the policies are meant to be. The same with the mentor-mentee system, I've only seen a few colleagues who have close contact with their mentors or mentees, while most of them just couldn't be bothered with it. (Guanqun, male, Chinese, a Reservoir Engineer in a WTNC)*

Guanqun argued that he had been told career development plans, but he did not have one himself. Linking Guanqun's argument with Ran and Patrick's, it was probably that Guanqun was not one of the 'top performers' and he was considered to have not worked hard enough. However, looking at Guanqun and the other eleven participants' background again, all of them joined in their current companies as 'mid-career' and experienced employees, and they used to work in CSOEs. As discussed in the staffing section, management members preferred to develop fresh graduates instead of mid-career employees, because they considered 'mid-career' employees as '*contaminated*' by their former companies.

Guanqun also emphasised that if managers were serious about their employees' career development, then they would look for more opportunities for employees. It seemed that implementation of such training and development policies and practices were dependant on different managers' attitudes and management styles. It seemed that the training and development policies and practices in some WTNCs were not consistent either. The relationship between mentor and mentee purely depended on employees and managers themselves. As mentioned earlier in the staffing section, due to the job rotation scheme, both managers and employees in WTNCs were transferred regularly and frequently.

Therefore, none of them could build up a consistent *guan-xi*, which was deemed to be important to the Chinese employees.

Overall, Nan, a Project Manager in a CSOE, summarised the *guan-xi* in people's career development in China:

*Qualification is a must-have; age is a career threshold; capacity is only for reference; and guan-xi always comes in the first place.* (Nan, male, Chinese, a Project Manager in a CSOE)

These statements above may be the best expression of the Chinese employment market. According to Nan, employers in China valued high educational qualifications, and that candidates may not have an interview or chance of promotion if they did not have any qualifications. Moreover, candidates may not attract employers' attention if they were over certain age. Candidates who had excellent required competencies may still be kept outside the door of companies, as *guan-xi* was the key to opening the 'career door'. Ping also depicted *guan-xi* as '*productivity*'. The two quotes above indicated that *guan-xi* had a fundamental effect on people's daily life in China. Both Nan and Ping argued that *guan-xi* was the key driver for personal career development. Senior management in WTNCs found solutions to deal with the *guan-xi* culture and they sent ethnic Chinese managers to the Chinese affiliates to manage their local employees.

#### **7.3.4 Reward management**

To make sure performance appraisal and training and development have the desired effect, reward management needed to be introduced, with merit depending on individual as well as companies' business performance. Reward system, especially the determination of basic salary, is normally based on different job categories, locations and other compensable factors. WTNCs also had to adapt their reward policies and practices according to the Chinese Labour Law and related regulations.

Ming, a Drilling Engineer in a WTNC, discussed salary structure in his company:

*Your starting salary is based on your job range. Of course, you can negotiate with HR and line managers. According to different working*

*locations, benefits may vary a lot. For example, I sometimes work in a frontline oilfield and I can have higher compensation and longer annual leave than my line manager who works in the Beijing head office. However, there is no clear distinction between basic salary and benefits. It is a whole salary package.* (Ming, male, Chinese, a Drilling Engineer in a WTNC)

The participants from WTNCs all had a similar ‘salary package’. There was less hierarchy involved in this performance-related reward system; the more employees work, the more employees earn. Reward management was probably the most standardised HR function that WTNCs had, as it was one of the key factors to maintain talent. Therefore, salary survey and industrial benchmarks were mostly used to make sure that companies kept their attraction in the highly competitive oil and gas employment market. Xiao, an HR Manager in a WTNC, elaborated one typical reward management plan in her company:

*For engineers, they have a similar commission plan: when engineers complete their tasks, they can receive a bonus. Bonuses can be quite substantial, and can be, anywhere between 30 to 70 per cent of their annual salary. For office based positions, when you reach a higher professional level, you could have a 10 per cent annual bonus scheme based on the objectives and results of your performance. Er, then you go up to one or two levels, and the annual bonus can go up to 20, then 30, 40 and even 50 per cent. The bonus is based on the result of your performance, and position and job scale.* (Xiao, female, Chinese, an HR Manager in a WTNC)

The reward plan in Xiao company was a standardised salary formula which was adopted by all participating WTNCs, but the percentage of bonus increase varied. WTNCs had some form of job grading and their reward management policies and practices were adapted to the Chinese context, or to a system which was internally developed and accepted by the Chinese affiliates. WTNCs also adopted performance-based pay. Incentive payments were based on both individual and collective performance and varied by managerial level and function.

Apart from employees' performance and their job categories, there were certain other factors and indexes which could influence salary and bonus fluctuations. Weng, an Information Support Officer in a WTNC, discussed one of the events that frequently happened in her company:

*Our bonus and salary increases are linked with project performance, and operational performance assessment is largely based on strict quantitative targets, such as turnover and deadlines. When you apply the same [reward management] rule in China, the result is, employees could hardly get their bonus and salary increase. The reasons are; firstly, our Chinese clients keep asking for additional conditions which are not stated in the contracts, and we need to comprise with these conditions most of time. Secondly, they (Chinese clients) don't really respect deadlines. For example, we finish a project on time and wait for Chinese clients to inspect it. Then we are told that managers who are in charge of the project are not in China and they will come back two weeks later. Most of our projects in China are delayed due to the reasons above. Projects are delayed, so the labour cost increases. Then our turnover decreases and we would have less bonus or even no bonus at the end. (Weng, female, Chinese, an Information Support Officer in a WTNC)*

This quote indicates that because of different perceptions of paper work and timing, WTNCs compromised with their Chinese clients to keep their operational share in the Chinese oil and gas market. Weng argued that standardised reward calculation in the Chinese affiliate needed to be modified because of Chinese cultural norms. Weng characterised this Chinese cultural influence as '*non-resistant factor*' in reward management in WTNCs.

The aforementioned the importance of the '*human factor*' was reflected in the reward management policies and practices within WTNCs. Linking Guanqun's quote in Section 6.3.3, it is indicated that Chinese people often chose not to follow what was written on paper, as policies were made by people, so it could be changed by people as well.

Deadlines and conditions in contracts therefore were not respected by the Chinese clients sometimes. As WTNCs can not ask their Chinese clients to change, then WTNCs had to adapt their HR policies and practices to fit the Chinese context best. Perhaps they should find a balanced way to motivate Chinese employees in the companies and to make Chinese clients pleased at the same time.

Moreover, giving *titles* to the Chinese employees was also found when implementing reward management policies and practices in WTNCs. As WTNCs had to follow the Chinese Labour Law and related regulations, the reward management was probably the most standardised HR policy that the participating companies had. Rewarding higher *titles* to employees was deemed to be one of the key approaches for retaining talented employees in WTNCs. Lizhe, an Office Manager in a WTNC, discussed how her company retained experienced professionals:

*Our performance-related reward is not only about the salary increase but also related to job title increase. You know, we Chinese all like face. (Lizhe, female, Chinese, an Office Manager in a WTNC)*

Lizhe, suggested that the higher the title a company gave to their experienced employees, the more likely those talented employees were to stay. Then giving higher *titles* to the Chinese employees seemed to be an important policy in the company. The Chinese employees valued higher titles and social status, and they needed to have a sense of group belonging, especially to a higher group in a higher position. In other words, employees were attracted to how other employees valued superiors' authority.

In addition, Sheng, a Country Manager in a CSOE, presented other strategies to retain experienced employees in his company:

*The higher oil price, the more competitive the oil and gas employment, because oil and gas companies could afford best salary package to attract top talents. The salary in the Chinese state-owned oil and gas enterprises has increased. However, it is still controlled by the government, so we have to report major reward management changes to the government and it takes time to get permission from the top. We*



*could hardly compete with the Western transnational and local private companies in talent recruitment and retention by monetary incentives. Apart from salary and bonus increase and the benefit regulated by the country, we also offer permanent contracts for those talents we 'borrow' from our affiliates. Moreover, companies can apply the 'Registered Beijing Household' for top performers and potential employees. Generous housing benefit is another scheme we have to attract top talents. (Sheng, male, Chinese, a Country Manager in a CSOE)*

CSOEs had been offering what WTNCs could not provide. For example, 'Beijing Household' was a unique retention plan which was offered only to Chinese state-owned oil and gas enterprises to attract and retain talent. Most Chinese people hoped to have the 'Beijing Households' for their children who were under eighteen-year old, because the university entrance examination in Beijing was relatively easier than other cities and only the students with the 'Beijing Household' could attend the examination. What is more, students with the 'Beijing Household' could have further chances to attain offers from other universities in China. Therefore, for the employees who had younger children, they tended to work in the headquarters of CSOEs in Beijing in order to get the 'Beijing Households'.

At the same time, CSOEs increased salaries and offered subsidised housing to their talented employees. Different from the housing benefits offered by WTNCs, CSOEs could provide flats which were much cheaper than local market price, as CSOEs compensated the price difference between market price and the price they offered to their employees.

Meanwhile, apart from regular salary and benefits, WTNCs also adopted some reward practices which were developed from their local Chinese competitors. For example, Miao, a Country Manager in a WTNC, stated that his company provided extra benefits and family-friendly policies which he used to have in a Chinese state-owned oil and gas enterprise:

*The Western companies in China have to be flexible and to adopt some local benefit policies to Chinese employees. Take my company for example, apart from the monetary compensation, we also organise parties, dinners, swimming contest, etc. throughout a year, and the company pays for all the expenses. (Miao, male, Chinese, a Country Manager in a WTNC)*

This quote indicated that Miao's company also offered parental benefits which were originated from the Chinese state-owned enterprises and the Chinese collectivistic society. Miao thought it was necessary to provide those family-friendly policies and practices to motivate and retain good employees in the Chinese context.

However, the range of benefits which were provided by CSOEs was different from WTNCs. According to the participants, except from increasing salaries in CSOEs, social benefits in CSOEs were better than those in WTNCs. Qingli, a Business Development Officer in a WTNC, stated that:

*When I was in a Chinese state-owned oil and gas enterprise, I had free breakfast and lunch during working days, and there were also company buses which picked us to work. However, my current Western transnational company doesn't have those benefits at all. It's a matter of choice and the choice is between 'stress' and 'dignity' of life. (Qingli, female, Chinese, a Business Development Officer in a WTNC)*

According to Qingli, she considered the '*free breakfast and lunch*' and '*company buses*' which were provided by her former state-owned oil and gas enterprise, as a solution to minimise the '*stress of life*'. Compared to Qingli's current WTNCs, her former company offered 'soft' benefits which were normally regarded as 'parental culture' in most state-owned enterprises in China. Due to the '*stress of life*', employees chose to work in CSOEs with lower salary but safe in the knowledge that they could gain access and enjoy parental benefits and job security. The 'stress' and 'dignity' mentioned by Qingli indicated that the employees in CSOEs looked for a secure place which could offer them stable compensation and a job, while the employees in WTNCs needed a

place where they could develop individual skills and experience, and broader future employment opportunities.

*My former Chinese state-owned enterprise provided quite a lot of benefits to its employees. For example, our flats were assigned by the company (the Chinese state-owned enterprise), so all the employees in the company lived in the same area. In this manner, we are colleagues, we are friends and we are neighbours. Our kids have grown up together and they are good friends as well. After moving to my current Western transnational corporation, my son feels lonely as he lives far away from his friends and classmates and we don't know our neighbours. (Zheng, male, Chinese, a Reservoir Engineer in a WTNC)*

Moreover, Yang, a Drilling Supervisor in a WTNC, also discussed the ‘*dignity of life*’ in his company:

*There was little pay differences in the state-owned oil and gas enterprises where I used to work. I was working at oilfield frontlines more than ten months a year. However, my salary was only a little bit higher than those who stayed in offices. (Yang, male, Chinese, a Drilling Supervisor in a WTNC)*

Yang used to work in a Chinese state-owned oil and gas enterprise. He argued that, although the salary in CSOEs had been increased, the equalitarian reward system in CSOEs did not change much. He eventually chose to work in a WTNC for ‘*dignity*’ as he could get the compensation he deserved.

CSOEs made substantial investments in skills development of existing employees through vocational training programmes and widening recruitment channels by employing inexperienced graduates. Hong, an HR Manager in a CSOE, elaborated the employee retention strategies that companies used in general:

*Based on the reward system regulated by the country, we offer employees competitive compensation as high as we can. A large*

*number of employees choose to work in the state-owned oil and gas enterprises nowadays because of career development and job security. The Chinese state-owned oil and gas enterprises are not totally market driven after all, and social security is one of the main responsibilities of the state-owned enterprises. Therefore, they need to create employment opportunities, but not to cut off jobs when in financial crisis, unlike what private companies do. (Hong, male, Chinese, an HR Manager in a CSOE)*

This quote indicated that job security was an important factor for Chinese employees to consider. Although life-long employment practices had been gradually dismantled in China, CSOEs still tended to grant their employees ‘job security’ to some extent, as well as an increased reward package to retain their talent. Five other HR professionals in CSOEs also mentioned the number of graduates each year in China was far much higher than the vacant positions that companies could offer. Moreover, similar to the management members in WTNCs, these HR professionals stated that the companies did not worry about the number of candidates. However, the ways of attracting candidates were different. WTNCs had an international reputation and competitive monetary incentives, while CSOEs had the ‘state-owned’ ownership. Under the highly competitive employment market in China, ‘job security’ was still attractive to a large amount of Chinese employees. However, Guanqun, a Reservoir Engineer in a WTNC, who used to work in a Chinese state-owned oil and gas enterprise, discussed ‘job security’ from another perspective:

*If you are really good in one area, you would not worry about your job security, as there is always a position for you, either in the state-owned enterprises, or private ones, or you can even be self-employed. For those who are not that good, the best solution is to stay in a secured place where can guarantee them to have a job. (Guanqun, male, Chinese, a Reservoir Engineer in a WTNC)*

Guanqun’s excerpt illustrated that it was important for employees to have ‘career security’ rather than ‘job security’. In other words, a skilled employee could find a job anywhere. ‘Job security’ which was provided by CSOEs might not be the best solution

to attract or retain talents, as qualified talents like Guanqun, could always find a place to work. Guanqun indicated that employees needed to develop their professional skills to have ‘career security’ rather than staying in secured state-owned enterprises and seeking for ‘job security’.

Most participants believed that it was hard to retain relevant talents and employees took jobs at their companies’ competitors. As mentioned earlier, WTNCs and CSOEs faced difficulties in recruiting quality candidates. In particular, intense competition for skilled employees was making it difficult to recruit experienced managerial and technical employees. Higher compensation rates were thus being offered to employees who were considered to be top performers and potential employees.

Employees in WTNCs, such as Miao and Yang who used to work in CSOEs, moved from CSOEs to their current companies because of compensation packages that different companies offered. However, incorporating the employee retention scheme, the participating CSOEs had raised their salary and benefit packages to compete with foreign investment enterprises and local private companies. Pay differences between WTNCs and CSOEs had been seen to diminish gradually.

#### **7.4 Summary**

The discussion in this Chapter has outlined the international HRM transfer orientations and approaches in the participating organisations. Different HR policies and practices transfer strategies of WTNCs revealed the different international orientations of each company. The main purpose of implementing standardised HR policies and practices throughout WTNCs and their parent enterprises was to maintain an integrated system of business strategies and principles. It has been highlighted that although the HR professionals in WTNCs had been increasingly involved in making decisions related to staffing, performance appraisal, training and development, and reward management, most of them had limited autonomy with regard to their input to HR policies and practices.

Moreover, the HR policies and practices which were adopted by WTNCs and CSOEs, and the impact of the Chinese cultural values on these policies and practices have also been presented. There was a tendency for WTNCs’ HR policies and practices, such as

selection criteria, leadership training programme, to be adapted to reflect local Chinese conditions. Although the parent enterprises of these companies favoured standardised and global approaches to HR policies and practices, such as performance appraisal and career planning, their Chinese affiliates were able to modify such policies and practices.

The staffing procedure and channels which were adopted by WTNCs and CSOEs were similar. However, the staffing criteria of WTNCs seemed to be more specific with standardised selection requirements. CSOEs were more likely to prefer younger candidates, while WTNCs put their selection and development preferences on graduates rather than the employees who had work experience in other companies. Candidates' willingness to accept current company culture were emphasised by some participants. In other words, the staffing process in WTNCs was also used to screen out those employees who were viewed as less likely to conform to organisational culture from their parent enterprises. In addition, employee retention was a common issue faced by both WTNCs and CSOEs. All the participating companies were competing not only for market share, but also for attracting and retaining qualified talent.

A large majority of WTNCs made use of a formal performance appraisal system, either quarterly, or semi-annually, or annually. Only Lizhe's company implemented an informal or self-assessment element into an appraisal process. In this study, those WTNCs which had implemented a competency model in their Chinese affiliates demonstrated a clear linkage between formal performance appraisal, training and development plans and reward management.

The purpose of training was to develop employees in companies, most WTNCs had mid or long-term career development plans. As mentioned earlier, the first three to five years initial training programme was provided by the company to all employees. After that initial training period, employees' career plan became more individualised. Although the Chinese employees in WTNCs had induction training about company culture and management policies, they did not appear overly 'brainwashed' by the organisational culture. The Chinese cultural values, such as *guan-xi* and valuing seniority, and the importance of the '*human factor*' were raised, implicitly or explicitly by the Chinese employees consciously or unconsciously in WTNCs.

Reward management was also an area where some differences existed between WTNCs and CSOEs. However, WTNCs had been attempting to harmonise the remuneration packages between them and CSOEs. Some participating WTNCs introduced additional elements, such as provision for housing and social schemes, which reflected specific conditions of China. WTNCs had the added benefit of being able to attract candidates through higher monetary incentives. However, due to the government control, CSOEs could not have flexible monetary retention policies as their private competitors did. The salary range was regulated by the Chinese government, and CSOEs had to develop other strategies to meet the needs of labour. Therefore, building and developing CSOEs' own talent pools, such as 'borrowing' employees from their affiliates in China, was one of the solutions for labour shortage. Overall, WTNCs were considered to have a more attractive image in China due to their relatively higher wages, the availability of stock options and their emphasis on 'flexible' workplace cultures.

The Chinese cultural values had directly or indirectly influenced the HR policies and practices within both WTNCs and CSOEs. It is indicated that the cultural value of *guan-xi* exerted influence on job rotation practices within WTNCs, as the Chinese employees tended to develop close and personal relationships with their managers and colleagues. Moreover, the cultural theme of *valuing seniority* emerged when presenting findings in relation to training and development policies and practices in both WTNCs and CSOEs. For example, it is indicated that the Chinese manager in WTNCs still held the traditional high power distance culture and some managers considered that managers should have more priority and rights than their subordinates. In addition, the importance of the '*human factor*' value was reflected in the performance appraisal process in WTNCs. Most WTNCs adopted the same appraisal approach as their parent enterprises, and their individual-based performance system did raise issues; the Chinese managers found a Chinese '*art of leadership*' solution to minimise the gaps of employee performance in order to maintain a positive *guan-xi* with their employees. In this manner, they could develop a closer and more personal *guan-xi* with their Chinese subordinates in order to motivate them over a longer term. The findings indicate that the importance of the '*human factor*' also had impact on the training and development policies, as some of these policies had not been practiced in the Chinese affiliates, or had been adapted and interpreted by their Chinese managers in other forms.

The impact of the Chinese cultural values on HR policies and practices within TNCs in China which emerged in Chapter six to seven, need to be linked with the literature in Chinese culture and International HRM and be further analysed and discussed. The final Chapter will expand on these and discuss the thesis and its theoretical, empirical and managerial contributions, as well as its limitations and future research.



## **CHAPTER EIGHT**

### **DISCUSSION AND CONCLUSIONS**

#### **8.1 Introduction**

In this final Chapter of the thesis, the three main research questions outlined in Chapter Three are revisited, based on the findings of the study. Chapter Eight synthesises the theoretical framework and the literature review presented in Chapters Two and Three, the methodological framework discussed in Chapter Four, together with the data analysis Chapters Six to Seven. The purpose of this Chapter is to discuss main themes and issues emerging from the field research conducted in this study, and place them in the context of existing literature and methodological philosophy.

The research questions of this study concern, firstly, the views of employees on HR policies and practices which have been transferred by TNCs to their Chinese affiliates; secondly, the perceptions of employees on the contemporary Chinese cultural values; and thirdly, the impact of the perceived Chinese cultural values on the HR policies and practices within TNCs in China. Several themes have emerged in this study, through which the thesis contributes to the area of IHRM and Cross-cultural Management research, utilising the aforementioned framework of agency and structure.

Within Section 8.2, an analysis is provided which connects the field research with existing literature, highlighting the key findings of the thesis. In Section 8.3, the theoretical dimensions of this thesis are analysed. The implications for HR practice within organisations, specifically in relation to HRM and cross-cultural management are discussed in Section 8.4. The limitations of the research and recommendations for future research are discussed in Section 8.5.

#### **8.2 Chinese cultural values and their impact on HR policies and practices**

Through the data analysis Chapters, the main cultural values and issues emerged and their impact on the HR policies and practices within TNCs in China were discussed. The purpose of this section is to highlight in more detail some key areas in relation to the Chinese cultural values within the study that require further reflection at this final point, specifically in relation to IHRM and Cross-cultural Management literature. The

section is thus divided in a number of sub-sections, where different but interrelated areas are critically analysed.

### **8.2.1 *Guan-xi***

As discussed in Chapter Three, China is a linked society, where *guan-xi* is important and plays a significant role in achieving success, using extended personal and business networks to gain advantages and cooperation to get things done.

In this study, one of the participants stated that '*guan-xi is productivity*' and this Chinese phrase was also supported by other participants. For example, a participant from one of CSOEs stated that, a poorly-managed subcontracted canteen could not be replaced by new ones because the managers of the canteen had close *guan-xi* with some management members in his company. The managers of the canteen gained business advantage over other competitors by using the *guan-xi* they had. It is argued that *guan-xi* still existed in the participating companies and could risk organisation efficiency and performance to make deals with someone just simply because he or she knew someone else.

Although employees had complained about the subcontractor of the canteen, nothing had been changed when the interview was conducted. For the Chinese employees, they accepted the fact that the subcontractor could not be easily changed in the canteen, because according to the Confucianism, and China in particular, confrontation and arguments were behaviour that was tried to avoid by people in order to maintain harmonious and peaceful *guan-xi* among colleagues and managers. This finding is echoed by Yang's (2002) work, and it is indicated that practising *guan-xi* to develop or/and maintain business still existed in some social domains and was not replaced by a rational-legal regime in China.

Moreover, a Project Manager from one of CSOEs, Nan, highlighted that '*Guan-xi always comes in the first place*'. He indicated that, even if a person had qualification and capacity, when he or she did not have *guan-xi*, then he or she could not even get access to a company, nor could not they achieved success in his or her career. However, *guan-xi* was not involved in staffing process as Nan depicted. Apart from Nan, all other HR professionals and management members also claimed that they professionally

followed their central staffing policies and practices which were transferred from the parent enterprise of their TNCs. None of the non-managerial participants stated that they were recruited because of the *guan-xi* they had. It is understandable that the participants might not want to deny the professional capacities and skills they had, and told the researcher that they could have their current positions because they had *guan-xi*. Or as Guthrie (1999) found that *guan-xi* practice is diminishing in importance in some areas in China as the economic transition progress. The question about the importance of *guan-xi* in China needs to be investigated further. However, based on the findings of this research, it is argued that although the participating companies attempted to reduce the influence of *guan-xi* exercise by following modern management policies and practices, *guan-xi* still remained and was considered as an key practice by the participants.

However, the international specialists who were invited by the CSOEs to work in China could not understand this *guan-xi* exercise, and they seemed to be confused when they experienced ‘the canteen case’ in a supposedly market-oriented economy. The fact that the management members did not deal with the grievances regarding the canteen also reflected the existence of hierarchical boundaries in the CSOEs. The high power distance cultural value also emerged here and it will be discussed further in Section 8.2.2.

All the participants acknowledged that *guan-xi* was a good means of facilitating communication and personalising business interactions in China. Therefore the expatriate managers of the WTNCs started to learn and to build *guan-xi* with their Chinese business partners and employees. It seemed that it made sense to establish *guan-xi* connections in the Chinese society.

Furthermore, it also seemed to be desirable to establish *guan-xi* to facilitate communication and resolve problems in the participating companies. For example, it was very common in WTNCs that about half of the expatriates were ethnically Chinese. Yiran, a Manager of International Department from one of CSOEs, pointed out that the reason for placing ethnic Chinese expatriates in management positions in the WTNCs was due to the language efficiency and cultural familiarity that the expatriates had. These ethnic Chinese expatriates were born and grew up either in China or in an

environment strongly influenced by the traditional Chinese culture and/or local Chinese communities within other countries. These Chinese expatriates were educated in the ‘Western’ countries, hence, they were familiar with both Chinese and Western culture. It seemed that ethnic Chinese expatriates played a role in bridging the two cultures. By linking global HR policies and practices to specific Chinese cultural values, sensitive to the Chinese business environment and willing to be flexible while maintaining professional standards, these ethnic Chinese expatriates might be most likely to succeed in the Chinese market. Yiran emphasised that most Chinese managers who were from Chinese SOEs preferred to work with ethnic Chinese managers in the WTNCs, as a close *guan-xi* between them can be developed both at work and in daily life. Although some of them did not feel very comfortable with developing *guan-xi* by continuously dinning and drinking with their Chinese clients, they had to compromise to this cultural value and spent more time and effort to establish *guan-xi* with their business partners and clients. Therefore, the findings confirmed that *guan-xi* also did involve friendship and emotion (Pye 1992; Luo 2000; Dunfee and Warren 2001) and Chinese people still preferred to build up a personal and reciprocal relationship with others, especially when developing business operations in China (Tian 2007).

‘*Introduction*’ was also mentioned by the participants and it had to do with the need for having another person to facilitate business interactions between prospective business partners. For example, Miao, a Country Manager in one of the TNCs, commented that when there was an existing *guan-xi* with someone from prospective clients’ company, the processes involved developing business interactions could be easier. The reason for being introduced was that, when prospective clients knew and trusted the intermediate person, then they would tend to pay more attention to what they say. The researcher found that introduction could be one of the elements of *guan-xi*. The Chinese employees placed a great amount of importance on introduction when approaching target companies or clients. Within the context of *guan-xi*, introduction made sense. As discussed in the *guan-xi* literature in Section 3.3.2, China is a linked society, where *guan-xi* is important and plays a significant role in doing business and daily life (Tian 2007). To have an introduction was to be presented by someone who already had *guan-xi* established, making the development of a new *guan-xi* easier.

These findings also seemed to partly echo Gouldner's (1960, cited in Uehara 1995) reciprocity norm in a collectivistic society. For instance, Chinese people would prefer to maintain a formal and/or informal bonding with each other. The human touch was an important element of business interaction in China. When possible, and if the personalities, languages, cultures of two sides coincided, it was also acceptable to develop friendships with each other. The bonding might not always be coupled with carrying obligations and responsibilities for each other. For example, according to Yiran, Chinese people did not always expect to gain advantages by having *guan-xi*. Rather, it would be easier for the Chinese managers to do business when they were treated as friends by their Western partners. It seemed to be an important mechanism for facilitating business operations and personalising business interactions. This finding confirmed the literature, namely that ethnic Chinese management members could build better *guan-xi* with their Chinese business partners in terms of their familiarity with the language, and social-cultural environment (Seligman 1999).

Furthermore, *guan-xi* in this thesis seemed to have broader implications than purely for gaining advantages. The Chinese employees in the participating companies placed a great deal of emphasis on interpersonal relationships, and treasured a good relationship with their superiors and colleagues. As mentioned in Chapter Seven, the Chinese employees valued *guan-xi* more when they came across job rotation policy. It is indicated that the Chinese employees valued the development of personal relationships with their managers, colleagues and clients. It seemed that the Chinese employees believed positive *guan-xi* could facilitate communication and operations at work. The findings confirmed that China is a linked society (Tian 2007), as the Chinese employees valued *guan-xi* more than their Western colleagues, and they expected to have more time in getting to know their managers and colleagues in order to develop a close and long-term *guan-xi* with them. Furthermore, the findings were also echoed in Hofstede's (1980, 2001) collectivism and long-term orientation dimensions, as the Chinese employees tried to develop *guan-xi* at work in order to achieve certain goals, such as training opportunities, and career development plans. Therefore, the managers might need to take the value of *guan-xi* into account when setting job rotation plans for themselves and their employees.

In this manner, it could help both managers and their subordinates to deal with work-related problems outside the workplace on a personal basis. Therefore, managers might need to pay more attention to their employees and to talk to them in a friendly way, and/or to take part with them in social activities organised by company, and/or to treat them as friends from time to time. A people-orientated management style seemed to be more accepted in the Chinese *guan-xi* cultural setting, and could be the focus of cultural training programme.

In summary, *guan-xi* could be viewed from a slightly different viewpoint. Firstly, developing *guan-xi* seemed to be very important for business interaction to succeed. Secondly, the Chinese participants developed *guan-xi* in order to soften the rigidity of formal relationships. The reason that the Chinese participants emphasised the personal touch might be that Chinese people like to work at a personal level. *Guan-xi* seemed to be more than a business relationship building exercise; rather it could be one of the key elements to maintain a collective society.

### **8.2.2 Valuing seniority**

The empirical analysis of the study generated a richer and more complex concept than the originally conceptualised notion of power distance. Based on the findings, issues regarding power distance that the Chinese employees addressed as part of their respective management approaches, were hierarchical management structure and valuing higher titles or social status. Thus, the second cultural theme that emerged from the findings was termed as '*valuing seniority*'.

Applying the criteria of the models of Hofstede (2001) and Trompenaars and Hampden-Turnce (2004) could help to understand the observed the Chinese cultural values better. For example, a low power distance in the WTNCs led to an expectation of open communication and free thinking environment in the workplace, regardless of rank and seniority. In contrast, the Chinese employees who were high on power distance and low on individualism, needed a more social *guan-xi* network and preferred collective practice discussions.

In this study, it is indicated that some Chinese employees were more likely to wait for orders and instructions from their managers rather than developing their own initiatives

and ideas at work. The findings reflected the general perceptions of non-Chinese nationals that most Chinese employees were not in the habit of speaking openly and directly, especially to their bosses (Lee 2007). The managers were supposed to be responsible for the operational running of the companies, with or without consultation with their subordinates, depending on their attitudes to sharing power and authority. In this manner, the findings confirmed assertions that were made by Hofstede (1980, 2001) and Alder (2001) that in a high power distance culture, employees preferred to let their managers provide close supervision of their work. It was shown that the Chinese employees seemed to have lost their independence, as some expatriates commented that some of their Chinese subordinates were unable to contribute ideas and show initiative, and were afraid of taking responsibilities for their decisions. It is argued that there seemed to be a problem with too much deference in the high power distance in that it prohibited initiative, innovation, and problem solving.

Moreover, power distance and hierarchy mentality still existed between superiors and subordinates in the WTNCs. A manager rejected an employee's overseas assignment opportunities because the manager had not been sent abroad to work yet. What the manager had done was contrary to the aim of the training and development schemes in the company, as most WTNCs encouraged their Chinese employees to have cross-country and cross-functional training to increase their international and professional experiences. This finding indicated that the hierarchical value which the manager held was; superiors had more rights and power, thus, he thought that he had more priorities than his subordinates. It is argued that the Chinese hierarchical value was still carried by the manager, even when he worked in a WTNC where the low power distance culture was promoted. However, the manager might forget that one of his duties was to develop his employees and he considered his rights and trainings were prior than his employees.

It is also indicated that the power for making decision was concentrated at the higher managerial levels of the organisations. The Chinese decision-making policy, confirmed the classical depiction of the high power distance notion, in which authority and power were concentrated in the hands of the upper level management, as presented by Hofstede (2001) and Albrecht (2001). Therefore, decisions were made by upper level management were usually highly respected by subordinates.

The findings corroborated Hofstede's (1980, 2001) assertions that inequalities within organisations were necessary and functional, and demonstrated that there was a line of authority that defined responsibilities and accountability. Intimately related was also the amount of authority or power prescribed to each organisational rank. Organisational rank referred to the respect of status given by the difference in position within an organisation. The notion of organisational rank reflected the complexity involved regarding the interaction of employees when differentials in positions were involved. Organisational ranks were indicative to the inequality of responsibilities within organisations. The findings confirmed that someone's position and organisations were characterised by power, dominance and status (Adler 2001).

Moreover, 13 participants who were at senior and middle management levels mentioned the disadvantages of respecting the high power distance. While trying to understand the cultural roots of this over-compliant behaviour, two of the managers mentioned that they would encourage their subordinate to speak up and show their initiative. For example, one HR manager in a WTNC mentioned that the managerial members in her company would ask employees to write down their opinions and ideas on post-it anonymously during meetings, if the employees did not speak directly and/or publicly.

In addition, the findings also indicated that some participants who used to work in the Chinese SOEs would like to know what was expected from them. It is indicated that the Chinese employees would enjoy independence at work, and being able to contribute ideas, and taking responsibilities for decision-making. The evidence suggested that most Chinese employees had the ability and desire to work more independently and efficiently. However, the traditional management structure seemed to block their initiatives and motivations. The findings from the Chinese employees showed that employees did wish to participate with initiatives and to have accountability for their results, jobs and decision-making.

The organisational culture and HR policies and practices in the WTNCs encouraged their employees to have more initiative and creativity. The Chinese employees had to accept the Western HRM system because of the pressure of strong organisational culture, as well as the nature of the Chinese culture – obedience to superiors. The employees did enjoy the freedom and management approaches in the WTNCs. However,



in the Chinese context, they had to work with other Chinese people and they might be influenced by them. Meanwhile, the HR professional and senior management did not expect the influence of the Chinese cultural values on their standardised HR policies and practices. Therefore, it is argued that cross-cultural issues could not be simply solved by integrating organisational culture and central HRM strategies, policies and practices. Rather, the process to change the Chinese employees' traditional cultural values, attitudes and mentality was a lengthy one, and represented a major challenge for IHRM practitioners.

As mentioned in Section 8.2.1, the informal *guan-xi* that the participants expected to have with their superiors would help them to discuss problems outside the workplace on a more personal basis. The expatriate managers interviewed indicated that there were serious efforts from many organisations in re-engineering their organisational structures to set in place systems that allowed employees to present their grievances or problems to higher level management.

However, the local Chinese managers, on the other hand, considered that being distant was a more common behaviour that went beyond being courteous and respectful. The hierarchical structure in the participating companies seemed to be complicated by *guan-xi* building among employees. As discussed earlier, the Chinese employees preferred to develop and maintain a positive and personal bonding with their managers and colleagues. However, it was worth noting that *guan-xi* in the Chinese society was attached to various levels, that was, people needed to respect hierarchy when establishing relationships with others.

Furthermore, the empirical analysis generated a richer and more complex concept of high power distance than the originally conceptualised notion by adding *title*. Initially, *title* is thought to be part of power distance. Surprisingly, it showed up as an element of how people present and carry themselves in business operations. In this context, *title* referred to the need for being courteous and respectful to people's title as part of personal interaction, rather than a sign of organisational rank's distance. *Title* seemed to be an element of people's identity which demonstrated individual's social status, rather than organisational rank. In this manner, the Chinese employees behaved courteously and respectfully not only to the social status of people, but also to the power distance

existing due to organisational standing. The case of the Chinese employees in both WTNCs and CSOEs corresponded to the discovered definition very well. *Title* was seen as a component of power distance. In this study, the HR professionals and senior management also attempted to attract and retain talented employees by offering higher titles. Further research is needed to verify this argument and place *title* within the area of *valuing seniority* as an indication of social status, rather than organisational ranks.

Concerning the cultural theme of *valuing seniority*, at first glance, the findings confirmed the assertions regarding the high power distance (Hofstede 1980, 2001; Alder 2000; Tayeb 2005), that is, the higher social status the person had achieved, the higher the power distance existing between him or her and others. This study also indicated that, in the Chinese context where social status and positions were highly valued, the Chinese employees paid more respect to seniority and the power that was bestowed by organisational and social rank. The Chinese managers tended to make decisions regardless of the standardised HR policies and practices and the low power distance organisational culture. Moreover, a small number of managers still appeared to be arbitrary in terms of interaction with and advice given to their subordinates, while they appeared to be less challenged by their superiors.

The findings were consistent with Hofstede's (1980, 2001) and Shenkar and Zeira's (1990) work that China was a high power distance culture. The Chinese employees, being in a high power distance culture, placed great importance on differences existing due to the position people held in the companies. This view on power distance influenced the Chinese employees' behaviour and attitudes towards authority, positions, status, and relationships within their organisations and with potential and existing clients' organisations. The Chinese employees being in a high power distance culture, placed far more importance on those differences, greatly influencing the interactions within the managers and their subordinates.

### ***8.2.3 The importance of the 'human factor'***

The importance of the '*human factor*' emerged in the implementation of HR policies and practices within the WTNCs and CSOEs, and was interlinked with *guan-xi* and *valuing seniority*.

For example, when the Chinese employees were being placed in the higher positions with authorities, they adapted and changed the principles that they were supposed to follow. The importance of the '*human factor*' value was reflected in the performance appraisal process in the WTNCs. Some researchers find that performance appraisal within TNCs in China was team-based, as it was teams and not individuals which were subsequently rewarded for higher productivity (Child 1994; Lu and Björkman 1997). This arrangement sit well with the predominantly collectivist culture of the country. However, the performance appraisal in the WTNCs was not the case. All the companies adopted the same appraisal assessment approach as their parent enterprises did. However, this study showed that individual-based performance system did raise issues; the Chinese managers found a Chinese '*art of leadership*' solution to minimise the gaps of employee performance in order to maintain a positive *guan-xi* with their employees. In this manner, they could develop a closer and more personal *guan-xi* with their Chinese subordinates in order to motivate them in a longer term.

This study also found that the importance of the '*human factor*' could exert impact on the training and development policies in the WTNCs, as some of these policies had not been practiced in the Chinese affiliates. As discussed in the literature and in the findings Chapters, the Chinese employees seemed to adhere more to the moral cultural value which was associated with Confucianism than other nationals in the WTNCs. This value related to the view that people should be managed by the rule of man rather than the rule of regulations. Therefore, the Chinese employees in the WTNCs attempted to identify their own solutions to day-to-day issues at work, rather than following the formal HR policies and practices which were developed by parent enterprises.

Moreover, a Manager at a Data System Department in one of WTNCs also mentioned that he tended to encourage his subordinates to performance better with positive comments rather than negative feedbacks. The reason for explaining this phenomenon might be that the Chinese staff seemed to prefer to develop a harmonious *guan-xi* at workplace by not giving negative comments directly and/or publicly. The Finance Manager in another WTNC characterised the adaptation of the standardised policies and practices from parent companies as the Chinese '*Art of Leadership*'. In other words, there was resistance to the transferred HR policies and practices by local Chinese

managers. Thus, it is argued that the effect of the Chinese '*Art of Leadership*' is needed be noticed, more importantly, it is needed to be examined and evaluated by the WTNCs.

In addition, as discussed earlier, a manager rejected an employee's overseas assignment opportunities because the manager had not been sent abroad to work. What the manager did was totally contrary to the aim of the training and development policies and practices in the company. Because most WTNCs encouraged their Chinese employees to have cross-country and cross-functional training to increase their international and professional experiences. It is indicated that the Chinese managers attempted to adapt and change the global HR policies and practices at their will without informing any related departments or managers. If every Chinese manager in the WTNCs attempted to do so, then these HR policies and practices could not be integrated and internalised in the Chinese affiliates, as the central HR policies and practices would be changed.

Similar to the aviation case in Taiwan (Jing 1995), although the Finance Manager in a WTNC was fully-trained and well-experienced at work, he could still implement the HR policies and practices in his own way without informing or consulting his HR colleagues. Because the Finance Manager thought his way of performance assessment was more reasonable and logic for his Chinese employees. In addition, what another Chinese manager did to his subordinate's overseas assignment request violated the company's HR policies and practices, even though he had undergone a comprehensive training programme to be a manager. It is argued that it could be extremely difficult to totally remove the influence from people's national cultural values and norms. For instance, as discussed in Chapter Three, Confucius philosophy emphasises the power of the human being and it advocates that people create everything in the world, and they make rules so they can change the rules according to different circumstances (Faure and Fang 2008). It is indicated that although the Chinese employees were well-trained and developed in the Westernised working environment, the shadow of Chinese cultural values could still exist.

Moreover, it also showed that the CSOEs' bureaucratic style was evident, as one manager stated that when leaders changes in the company, many other things also changed. For example, new leaders would bring in new policies and/or a whole new group of people. In this manner, therefore, the organisational management in the CSOEs

seemed not to be based on regulated policies and practices. Rather, business operation and managing human resources might be based on the importance of the '*human factor*' – of the new leaders.

In addition, paperwork was also mentioned by some participants and it referred to forms and documents that had to be filled and processed as a necessary part of conducting business. The findings demonstrated that the Chinese employees had a more flexible approach to paperwork, as they did not really respect and follow the terms and conditions in paperwork from time to time. This is one of the areas where the Chinese employees were known for the concept of the importance of the '*human factor*'. In addition, for the Chinese employees, it was more important to follow their superiors' words and orders than to follow organisational policies and practices. This finding was consistent with the notion of *valuing seniority*, as the Chinese employees had a more rigid approach to authority and power and there was more flexibility in their view of rule. Nevertheless, as discussed in the previous section about valuing seniority, the Chinese employees experienced authority and power in a context of mutual respect among all levels.

The Chinese employees valued seniority and their superiors' views and orders (high power distance), so they respected hierarchical rules and orders, rather than written ones. With regard to the orders and rules from above, the employees tended to be adopted and selective when they did not really agree with the content of the rules, instead of informing their superiors.

The findings also echoed the result of Lee's (2007) research which found that what managers perceived as 'the Chinese characteristics' was an obstacle to rational corporation conduct, and a frustrating challenge for the would-be managerial reformer. WTNCs had been trying to provide more cross-cultural training and international working opportunities to their employees in order to minimise the negative effects of the Chinese cultural values and norms.

Overall, the researcher found the cultural inclination of the Chinese participants fell towards collectivism, confirming the assertions made by Hofstede (1980, 2001), Alder (2000) and Child and Tse (2001). The cultural inclination of a country regarding

individualism or collectivism permeated not only business operations, but the entire manner and cultural values in which people were from. In this study, clear lines of HR policies and practices, specialisation, and formalisation of rules were important elements in order for companies to work efficiently, but these elements seemed to be softened by the Chinese cultural values.

### **8.3 Theoretical dimensions**

The dimensions of structure and agency of the theoretical framework is utilised for this study. The findings demonstrated the necessity to take account of employees' agency. This study indicated the importance of the agency of employees, as the employees were significant actors in shaping and influencing the HR policies and practices that were transferred from the WTNCs to their Chinese affiliates.

The employees in TNCs in China were conceived as social actors whose agency was constrained and enabled by dominant socio-cultural meaning systems (d'Iribarne and Henry 2007). These included prevailing Chinese cultural values that were likely to shape the ways in which the employees gave sense to the exercise of power they encountered. When voicing their ongoing attempts to making sense of the HR policies and practices exercised by parent enterprise and expatriate managers, the Chinese employees drew implicitly on local cultural values and norms. However, they did follow Chinese cultural values and adapted passively to the transferred HR policies and practices. They constituted a heterogeneous group of social actors who strategically reflected upon and creatively reacted to the HR policies and practices, in accordance with their individual position, background, interests and the particular situation in which they find themselves at a given time.

As Giddens (1997) argued, structures form the basis for how individuals perceived and acted in their social world at any given time. While individuals reproduced such structures, they also, at the same time, made use of them in their own ways and in this process, they innovated them. Thus, social structures enabled and restricted social agency without, however, determining it, since social actors both reproduced as well as transform the social structures. This opens up for a dynamic analysis of the transferred HR policies and practices taking place in the Chinese affiliates in the future.

#### 8.4 Empirical contributions

There was widespread agreement among the participants that cultural differences between China and Western countries did exist. However, the attitudes towards the cultural differences varied. The participants with senior positions had good and relevant educational background and international experience; however they did not realise or recognise cross-cultural problems in their companies and assumed their subordinate employees would not have any cultural issues either. They believed that knowledge of cultural differences between different nationals was professionally unimportant, because they believed that the central organisational culture and policies could '*iron out*' cultural differences.

This is in stark contrast to the literature on IHRM, where cross-cultural awareness is considered to be essential for TNCs (Bartlett and Ghoshal 1998; Adler 2001; Hofstede 2001; Briscoe and Schuler 2004; Dowling *et al.* 2008). As Briscoe and Schuler (2004) argued, such a lack of insight into the importance of cultural differences is typical when TNCs are in the early stage of their internationalisation. However, the findings seemed to be contradictory to Briscoe and Schuler's (2004) argument, because most participating companies had long standing experience in international business operations. Therefore, it is indicated that the practices of IHRM strategies of WTNCs at operational level might lag behind their policy making (Nankervis *et al.* 2002; Dowling *et al.* 2008).

In addition, none of the participating companies were systematically mapping the cultural differences between their home countries and China, or plan to formulate a different approach towards their Chinese affiliates. Only one WTNC developed a tailored management course – '*the PRC leadership development programme*', which targeted at middle and senior management members in China. Therefore, what cross-cultural differences were specifically, and how they could influence HR policies and practices, seemed not to be at the forefront of HRM decision making in either local Chinese or expatriate participants.

Therefore, the findings contrasted with the literature (Nankervis *et al.* 2002; Dowling *et al.* 2008) which stated that cross-cultural differences and awareness are at the forefront of IHRM. In this study, the employees and managers in WTNCs had limited sensibility

or in-depth knowledge of cultural differences between China and the home countries of WTNCs. The HR professionals and senior management members in the parent enterprises and the Chinese affiliates assumed that their local HR departments, fulfilling all main HR functions, and did not consider the need for a more in-depth understanding about cultural differences. The transfer of HR policies and practices was delivered through local HR departments and it was the responsibility of local HR professionals and managerial members to implement the transferred policies and practices to achieve a local and legal solution. The central HR in the parent enterprises of WTNCs might assume that the local HR professionals had the ability to adapt the global HR policies and practices in a culturally sensitive way; and the local HR professionals assumed that the adapted HR approaches and solutions were widely-accepted and implemented by Chinese employees in the affiliates. These assumptions were neither followed up by the parent enterprises, nor the HR professionals in Chinese affiliates.

The variation in responses from HR professionals, managers and non-managerial employees regarding the implementation of HR policies and practices within WTNCs and CSOEs was important. This was a reflection of the differences in how management members and employees viewed cross-cultural differences. For example, it was demonstrated that, what the HR professionals and senior managers might see as standardised and global policies and practices, the middle management members and non-managerial employees might view as undermining their own cultural values.

Some findings from the thesis, however, contradicted with finding from previous literature. By investigating the HR functions in 62 foreign-invested enterprises in China, Björkman and Fan (2002) reported that the Western performance-based rewards and individual performance appraisal policies and practices exert great effect on the Chinese affiliates' organisational performance. They took this as evidence of the way TNCs have successfully implemented and integrate Western HR policies and practices to influence the behaviour of their Chinese employees. Gamble (2006) also agreed with Björkman and Fan's (2002) findings, and contended that the Chinese employees could and did change their cultural values in TNCs. Furthermore, Gamble (2006) argued that a new synthesis emerge from the dialectic of TNCs and local Chinese employees. The previous literature indicated that HRM can be successfully transferred and accepted by Chinese employees.



However, in this study, it is indicated that these three Chinese cultural values had a major impact on the Chinese employees' behaviour and views towards HR policies and practices, and these behaviour and views could not be easily eradicated by central and standardised HRM approaches and principles, and organisational culture. Although the Chinese employees in the WTNCs had induction training concerning organisational culture and management policies, the Chinese cultural values, such as *guan-xi*, *valuing seniority*, and the importance of the '*human factor*' could still be raised by the Chinese employees consciously or subconsciously in WTNCs. The findings highlighted the fact that an understanding of Chinese cultural values and the Chinese way of thinking was integral to the implementation of HR policies and practices within TNCs in China.

Readers may comment that those cultural values do not sound totally alien, and do not only exist in China but also exist in other countries all over the world, even in some Western countries. Some Western expatriates also perceive that there are common underlining values that are shared by both Chinese employees and expatriates. However, the key difference between the Chinese cultural values and others might be the people-regulated or system-regulated organisational code, in other words, the importance of the '*human factor*', that is, the agency of individuals.

### **8.5 Managerial implications**

Combining aspects of the existing literature of IHRM and Cross-cultural Management, and applying them to practical cases, this thesis also made important contributions to HR professionals when designing and implementing IHRM in their Chinese affiliates. The cultural differences between China and the Western countries, as well as HRM in China, have been investigated and described by several researchers. However, how Chinese cultural values can be influenced by HR policies and practices within TNCs in China, and why this influence can still exist despite the prevalent organisational culture of TNCs, needs to explore in-depth. The HR models and frameworks, as discussed in Chapter Two, are more studied and adopted by academics than practitioners. Thus, this section analyses and discusses the findings of this thesis from a practical perspective, and provides recommendations that the HR professionals in TNCs in China can consider within their IHRM strategies.

One of the main findings was that the WTNCs attempted to adopt an integrative transfer of HR policies and practices, expecting local Chinese employees to accept the transferred policies. In return, the Chinese employees were expected to generate better performance at work. These attempts seemed to be not successful, as some middle managers and non-managerial employees could not meet these aforementioned high expectations.

It is argued that although standardised HR policies and practices in the WTNCs were dominant, the Chinese cultural values would not be easily resolved by these policies and practices. These three Chinese cultural values seemed to be visible and were followed by most Chinese employees in the WTNCs. Therefore, the researcher contended that WTNCs in China might need to acknowledge cross-cultural differences and to consider these Chinese cultural values when implementing their global HR policies and practices.

The recommendations for managerial practices are provided. Firstly, in the implementation process of transferred HR policies and practices, local HR professionals, especially HR directors and managers might need to deal effectively with the senior officers and other employees from parent enterprises and other affiliates. It is desirable that local HR directors and managers have international experience from working and living abroad. Thus, in a short term period, it is suggested that the HR professionals can be encouraged to participate in international training and short cross-border projects. In a longer term, international experience can be placed as one of the key selecting criteria of HR professionals. Moreover, local Chinese HR professionals can be trained to be successors to positions in the parent enterprises and/or other overseas affiliates of the WTNCs.

Secondly, more HR practice manuals and clear guidance can be provided. The middle managers and non-managerial employees found it difficult to implement and accept standardised HR policies and practices. When managers translated these policies into practices, they had to then justify to management. They preferred to have clear practice guidelines and manuals, with the autonomy to adapt the transferred HR policies and practices if necessary. For example, a policy that says ‘performance appraisal is mandatory’ versus a manual that says ‘in September each year every employee has to discuss face-to-face with his or her line-manager about performance in the past year and

set up performance goals for the coming year'. Therefore, in the short term, the HR professionals can be more specific regarding HR policies and practices and can highlight practice examples from the parent enterprises and other affiliates. If there is an option, then a preferred or default choice can be given. If room is left for more than one option, then the consistency of HR policies and practices implementation would be lost. Therefore, over the longer period, a company specific or detailed regional practice manual for HR professionals, can be developed.

Thirdly, well-planned training regarding the standardised HR policies and practices and cross-cultural awareness can be provided, not only to senior and middle management members, but also to non-managerial employees. The cultural themes of this study – *guan-xi*, *valuing seniority*, and the importance of the '*human factor*', as well as other Chinese cultural values, such as the concepts of face, harmony, collectivism, can be included in the cross-cultural training, as could practical approaches to dealing with them appropriately in the workplace and social settings. It is fundamental that the Chinese employees within TNCs in China genuinely acknowledge the importance of the HR policies and practices, and cross-cultural differences in an international working environment. As the Confucian philosophy contends that people discipline themselves by their internal power, people could only change their behaviour and values when they realise the importance of doing so for themselves. Thus, TNCs in China can help their Chinese employees to engage with the HR policies and practices and to find out how they can benefit from following them.

Fourthly, it is argued that TNCs may need to closely monitor the implementation of these policies and practices, instead of only expecting Chinese employees to accept and adopt the policies and practices which may be against their cultural values and norms. In other words, TNCs may need to navigate through the distinctive cultural values when practising the HR policies which could support specific strategies and develop organisational culture.

The findings of this research hopefully can provide an insight into the understanding needed to judge the effectiveness and applicability of their HR policies and practices within WTNCs and CSOEs. In this manner, this study indicated that violations of the

Chinese cultural values might have serious implications for the success of the organisational performance.

## **8.6 Limitations and future research**

While the findings of this study offer important implications for academia and business, their interpretations are subject to a number of limitations that can be addressed in future research.

Firstly, the use of qualitative interview method means the researcher may not be able to establish straightforward universally applicable patterns across all TNCs in China, although there were 23 companies in this research and these companies were key companies in the Chinese oil and gas industry and the participants have a considerable understanding and insight into the field. New studies in other industries will permit extending the findings to a much broader sector of the business community in the Chinese context. Similarly, TNCs from non-Anglo-American and non-European origins, can be included in such research.

Secondly, although this sample with 76 interviews can be considered adequate for this study, it is acknowledged that it may not be large enough for the findings to be generalised. Moreover, most Chinese participants were mainly based in Beijing. The Chinese cultural values were examined in the developed cities, with lots of TNCs, higher education and living standards. As Tayeb (2000) argued that there were regional and individual variations within nations regarding their cultural values and attitudes. Chow (2004) also contended that there were regional cultural differences relating to HRM in China. The emerged cultural values in this study might be different from the ones in the southern part of the country and inland China. Thus, within-country cultural differences might need to be considered before generalising findings. However, the data possess significant strengths, such as the fact that the sample was drawn from participants at both managerial and non-managerial levels.

Thirdly, limitations concerning the definition of the Chinese cultural values need to be pointed out. The definitions may involve other areas beyond the three themes examined in this study. It is indicated that some of the identified cultural values appeared to be richer and more complex than the cultural dimensions and norms that were

conceptualised in the existing literature. Thus, further research is needed in order to enrich the identified cultural values.

Moreover, future research can also examine the key cultural themes which have emerged from this study from a diachronic perspective (Gamble and Huang 2009). In this manner, Chinese cultural values and their impact on HR policies and practices within TNCs in China can be compared from time to time. The researcher contends that the development of the Chinese culture and HRM in China need to be investigated in a dynamic context through a long-term view.

### **8.7 Conclusions**

The research questions of this study have all been addressed. Firstly, the views of employees on HR policies and practices which have been transferred by TNCs to their Chinese affiliates; secondly, the perceptions of employees on the contemporary Chinese cultural values; and thirdly, the impact of the perceived Chinese cultural values on the HR policies and practices within TNCs in China.

In this study, four key HR functions in the WTNCs - staffing, performance and appraisal, training and development, and reward management, were shown to be influenced by the Chinese cultural values to some extent. From the three themes that were associated with the Chinese collectivistic culture, the researcher emphasised that although the Chinese employees in WTNCs had been given the standardised trainings about organisational cultures and global HR policies and practices, some of these policies and practices were conducted in a different way than the central HR office of WTNCs intended. It is indicated that although the HR policies and practices in WTNCs appeared to be more convergent and easily transferred from the parent enterprises of WTNCs, the remaining divergent Chinese cultural values that local employees hold still can influence the implementation of these policies and practices in the Chinese context. In other words, there was subtle resistance to standardised HR policies and practices by local Chinese employees. It is argued that HR policies and practices in WTNCs might need to reflect the cultural values and norms of the people involved. In order for the transferred policies to work, the policies might need to be modified and at the same time employees need to be trained to practise these policies.

Therefore, the researcher contends that, although standardised HR policies and practices in the WTNCs were predominant, the Chinese cultural values would not be easily resolved by these policies and practices. These three Chinese cultural values seem to be visible and followed by most Chinese employees in WTNCs. Therefore, it is argued that TNCs in China need to acknowledge cross-cultural differences and consider these Chinese cultural values when implementing their global HR policies and practices. In this manner, well-planned trainings regarding the standardised HR policies and practices and cross-cultural awareness can be provided, not only to senior and middle management members, but also to non-managerial employees. It is fundamental that Chinese employees within TNCs in China genuinely acknowledge the importance of the HR policies and practices, and cross-cultural differences in international working environment. As the Confucian philosophy contends that people discipline themselves by their internal power, people could only change their behaviour and values when they realise the importance of doing so for themselves. The findings demonstrated the necessity to take account of the importance of the agency of employees, as the employees were significant actors in shaping and influencing the HR policies and practices that were transferred from the WTNCs to their Chinese affiliates.

Thus, TNCs in China can help their Chinese employees to engage with the HR policies and practices and to find out how they can benefit from following these policies and practices. Furthermore, organisational and managerial commitment to such an approach would require conscious steps to be taken towards adopting a closely monitored HR and training implementation process and more inclusive HR policies and practices, rather than expecting Chinese employees to accept and adopt the HR policies and practices which may be against their cultural values and norms. In other words, TNCs may need to navigate through the distinctive cultural values when practising the HR policies which could support specific strategies and develop organisational culture. The findings of this research hopefully can provide an insight into the understanding needed to judge the effectiveness and applicability of their HR policies and practices within WTNCs.

Overall, the convergent HR trend is applied in WTNCs at the national level. The intention is global, but the practice is still local. A distinction is made between HR policies and practices (Schuler *et al.* 1993; Tayeb 2003; Legge 2005). Given the impact of Chinese cultural values on HR policies and practices in WTNCs, the findings of this

study partly echo with Gamble and Huang's (2009). The researcher contends that whereas WTNCs attempted to maintain the integration of HR policies and practices, these companies were inclined to differentiate these policies and practices to suit local condition not only during the HR transfers process, but also during the HR implementation stages. Therefore, it is argued that TNCs in China need to acknowledge cross-cultural differences and consider these Chinese cultural values when implementing their global HR policies and practices. It is also indicated that TNCs may need to closely monitor the implementation of these policies and practices, instead of only expecting Chinese employees to accept and adopt the policies and practices which may be against their cultural values and norms. In other words, TNCs may need to navigate through the distinctive cultural values when practising global HR policies which could support specific strategies and develop organisational culture.

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## **Appendix 1**

### **Invitation letter to Western TNCs asking them to participate in the research at the first stage**

Dear Sir or Madam,

***Re: Human Resource Management (HRM) Research in Transnational Oil and Gas Corporations with Affiliates in China***

Transnational corporations (TNCs) in the Oil and Gas industry face many challenges in the current global market, and this is particularly apparent in the area of HRM in the rapidly-changing economic and business context of China. There is an increased awareness nowadays that well-developed HR policies and practices can provide many benefits in terms of international HRM, cross-cultural management and knowledge transfer issues.

I am a doctoral researcher in the School of Management and Languages at Heriot-Watt University. My research will examine the transfer of HR policies and practices from Western transnational Oil and Gas corporations to their affiliates in China, and investigate how these companies have adopted and adapted their HRM system in response to Chinese social, cultural and institutional factors.

As part of this initiative, I have received positive responses from one transnational oilfield service company and two big Chinese Oil and Gas companies. They agreed to let me conduct the research in their companies. The information that the Chinese companies will provide will be compared with HRM policies and practices of Western transnational Oil and Gas corporations, and their affiliates in China.

Therefore I would like to invite your company to take part in this research project; in return your company will gain early access to results that may be helpful when implementing global HR policies and practices to enhance the applicability of the HR transfer in your affiliates. I am hoping to interview members of the management team who are directly responsible and involved with HR policies decisions and/or the effect of these decisions. The sample could include the HR director and senior HR managers, and other senior management officers. I am also keen to involve production and line managers, technicians and other non-managerial and non-technical employees. In addition, questionnaires will be distributed to production and line managers, technicians and other non-managerial and non-technical employees in your main business affiliates. I expect that the interviews will take around one hour and the questionnaires should not take more than 20 minutes. A list of questions I would like to ask you about is attached.

**The interview and questionnaire results will be reported on an anonymous and confidential basis.** I would be very happy to provide a report when I complete the research to participating companies in terms of recommendations and suggestions. If you are interested in my research, I would be very grateful if we could arrange a time for further discussion. Should you require further information in the meantime, please do not hesitate to contact me either by phone or email, or at my contact address below.

I look forward to hearing from you soon.

Yours faithfully,

Yu Fu

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***Re: Human Resource Management (HRM) research in Transnational Oil and Gas Corporations with affiliates in China***

**Topics proposed for discussion:**

- Organisational background information and business context
- Organisational management and structure of the Chinese affiliates
- Transfer of HR policies from Western transnational Oil and Gas corporations to their affiliates in China. Main HRM functions will be involved, such as recruitment and selection, performance appraisal, training and development, remuneration system and trade union.
- Factors contributing to or limiting the effectiveness of the HR policies and practices within the Chinese context

**Organisational documentations requested (if available):**

- Organisation's annual report, and background information (apart from the ones which can be found in the organisation website)
- Demographic information (age, gender, nationality, education etc)
- HR policies and documentations
- Newsletters, meeting minutes between employees and managers and employees' views/opinion surveys, and any other relevant information

**Sample selection:**

I plan to use multiple research methodologies to conduct this research: qualitative semi-structured interviews and questionnaires. The ideal number of interviews with senior HR managers and other senior management officers of main business operations would be 2-3 for each category. Depending on the organisational structure, I will interview the HR director as well. A sample of production and line managers, technicians, non-managerial and non-technical employees could be 2-3 for each category. The questionnaires will be distributed to production/line managers, technicians, and non-managerial and non-technical employees in main business operations, except to those who have been chosen for interview. The manner in which interviews and questionnaires will be conducted can be discussed further.

## **Appendix 2**

### **Invitation letter to Western TNCs asking them to participate in the research at the second stage**

Dear Sir or Madam,

*Re: Human Resource Management (HRM) Research in Transnational Oil Corporations with Affiliates in China*

Transnational corporations (TNCs) in the Oil and Gas industry face many challenges in the current global market, and this is particularly apparent in the area of HRM in the rapidly-changing economic and business context of China. There is an increased awareness nowadays that well-developed HR policies and practices can provide many benefits in terms of international HRM, cross-cultural management and knowledge transfer issues.

I am a doctoral researcher in the School of Management and Languages at Heriot-Watt University. My research will examine the transfer of HR policies and practices from Western transnational Oil and Gas corporations to their affiliates in China, and investigate how these companies have adopted and adapted their HRM system in response to Chinese social, cultural and institutional factors. Therefore, I would like to invite you for an interview regarding cross-cultural differences and HRM in your company. Your responses and views will help us to investigate how TNCs have adopted and adapted their HRM system in terms of Chinese social and cultural factors.

As part of this initiative, 23 interviews have been conducted in Western and Chinese TNCs. I am hoping to interview a few more members who are directly responsible and involved with HR policies and practices. The interview participants could be HR people and senior management officers, as well as production and line managers and non-managerial employees.

The interview is expected to take around 30 to 45 minutes and can be conducted in a face-to-face way, or over telephone. A list of proposed topics involves in the interview is in the following:

- Main HRM functions, such as recruitment and selection, performance appraisal, training and development and remuneration system, will be involved.

- Cross-cultural differences and Chinese culture. Cultural factors contributing to or limiting the effectiveness of the HR policies and practices in Chinese context.

**The results will be used for research purposes only and will be reported on a strictly anonymous and confidential basis.** I would be very happy to provide a report, when I complete the research, to participating companies in terms of recommendations and suggestions. If you are interested in my research, I would be very grateful if we could arrange a time for further discussion. Should you have any queries about the research, please do not hesitate to contact:

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Thank you in advance for your assistance in this research.

Best regards,

Yu Fu

## **Appendix 3**

### **The invitation letter to Chinese state-owned oil and gas enterprises asking them to participate in the research**

#### **中国文化对西方石油公司人力资源政策和措施的影响**

傅瑜，博士生，英国 Heriot-Watt 大学管理学院

本研究将对比和分析中外石油公司的人力资源管理的发展和现状，分析跨国经营中人力资源管理的现状和挑战。研究的重点是对中国文化对西方石油公司人力资源政策和措施的影响进行解析。中国石油公司的人力资源政策和措施，以及中国员工对公司现行人力资源政策和措施的看法，将对本研究提供一个研究基础和环境，对理解西方石油公司在中国分公司实行的人力资源政策或措施将起到重要的辅助作用。

在此，我诚邀贵公司能参与这项研究。我将会针对中外石油公司现行的人力资源战略、政策和措施，以及中国文化对西方石油公司人力资源政策和措施的影响，为参加该研究的公司体共一份详细的研究结果报告。贵公司可通过本研究进一步了解，参考和分析这些战略、政策和措施。同时，针对国家文化对跨国石油公司人力资源和政策影响的分析，也希望能对中国石油公司的海外项目管理有一定的帮助。

此研究以国内外具有代表性的石油公司和石油服务公司为研究对象，通过对国内外石油公司中各个层次的员工的访谈展开调研。其中，访谈的对象是人力资源部门经理和相关管理人员 2-3 名，中、高层管理人员 2-3 名，其他非管理层员工 4-6 名。访谈的时间大约在 45 分钟到 1 个小时左右。参加调研的公司的名称不会出现在任何文字报告中，所有通过采访得到的信息和数据也将严格保密，仅用于学术项目研究中。

### 访谈内容大纲:

- 公司背景, 发展历史, 商业环境等。
- 公司管理和结构。
- 人力资源管理政策以及人力资源部门主要职能, 如人才招聘, 来源及选拔, 绩效考核, 培训计划, 薪酬制度等。
- 影响公司人力资源管理政策有效性的各种因素。
- 跨国经营中人力资源管理的现状和挑战

### 其他所需的公司相关背景资料(如果可以提供):

- 公司年度报告, 管理结构等相关资料。
- 员工人才分析信息。
- 人力资源管理政策及相关通告和资料。
- 人力资源管理现状分析。
- 人力资源发展战略研究。
- 公司内部报纸、期刊, 人力资源部, 员工问卷调查及有关信息。

如果您有任何问题, 请通过以下方式和我联系:

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## Appendix 4

### Research interview with HR directors and managers and senior management officers

#### Part A. Introduction

This interview is designed to explore HR policies and practices and cross-cultural differences in TNCs' affiliates in China ("the company" is used in the following questions, instead of "TNC's affiliates in China"). The HR transfer orientation and process, as well as the company background information and its HRM system will be investigated. **The information you provide will be only used for research purpose and will be strictly anonymous and confidential.**

#### Part B. Biographical Details

Organisation		Location	
Position		Tenure	
Nationality		Ethnicity	
Where and when have you worked abroad (if applicable)			
Time and date of the interview			

**Gender:** ☐ Male ☐ Female

**Age:** \_\_\_\_\_ or you can tick one of the following boxes:

☐ Under 25 ☐ 25-35 yrs ☐ 36-45 yrs ☐ 46-55 yrs ☐ 56-60 yrs ☐ Over 60yrs

**Marital status:**

☐ Single ☐ Married ☐ Separated ☐ Divorced ☐ Widowed

☐ Do you have any children? If you do, how many? \_\_\_\_\_

**Education:**

☐ PhD ☐ Masters Degree ☐ MBA ☐ Bachelor Degree ☐ HND

☐ Other, please specify \_\_\_\_\_

**Employment status:**

☐ Permanent ☐ Fixed-term contract for 1-5 years

☐ Temporary contract less than 1 year

### **Part C. Background Information of Company**

- C1. Please tell me briefly about your professional and cultural background.
- C2. What is your main responsibility in the company?
- C3. What is your reporting structure?
- C4. Where is the principle location of the company? Why had it been chosen (strategic location of oil and gas production, trading, favourable financial policies, local government support, etc)?
- C5. What is (are) your primarily concern(s) in the company? (profitability, social responsibility, etc)
- C6. Please briefly summarise the internationalisation process of the company. (from domestic market to regional market, international market etc)
- C7. What is the role of the company in your parent organisation's international development? (business integration, long-term financial performance, etc)

### **Part D. HR Policies and Practices Transfer**

- D1. Who designed HR policies in the company? (parent enterprise, senior management team in China or jointly)
- D2. How have HR policies been designed in the company? (transferred from parent enterprise's 'best practices', adopted local HRM system, or jointly) and why? (long-term profit target, assess new international business, globalisation, market opportunities, etc)
- D3. If you transfer HR policies and practices from parent enterprise, what kind of approach do you use? (training by expatriate staff, training by external expertise, training employee in parent enterprise, etc) Why did you transfer HR policies and practices from parent enterprise? (standardisation, well developed HRM system, 'best practices', etc) Do you have local-only HR policies?
- D4. What kind of factor(s) could affect the designing of HR policies and practices in the company? (global and local economic, political, social, cultural and other dynamic environmental conditions) And how? Please give examples.
- D5. Do you think HR policies and practice of the company can have a positive impact in technology, productivity and labour efficiency? Any problems or issues? Please give examples.
- D6. How much HRM autonomy does the company have?

### **Part E. Cross-cultural Management**

- E1. Are there any expatriates working in the company? What is the proportion of expatriates in the workforce?
- E2. What kind of position do expatriates have? (middle, senior management level, technical expertise, etc)
- E3. Who is in charge of expatriate management in the company? (home-country organisation, the company)
- E4. Do you think there any cultural confrontations or tension among different nationals in the company? If you do, please give examples.
- E5. Do you consider cultural factors when you develop business strategies and make decisions in the company? If you do, what kind of cultural factors do you consider?
- E6. In your opinion, what are the main cultural differences between Chinese and other nationals? (harmony, interrelationship, loyalty, egalitarianism, group consensus, etc)  
How do these differences affect HR policies and practices of the company?
- E7. Apart from cultural factors, what other variables you would consider when you make business decisions? (legislation, regulations, institutional factors, etc)  
Please give examples.
- E8. Do you have any equal opportunity policies in the company? If you do, what is the content of equal opportunity policies? (gender, race, religion, disability, etc)  
Any concerns or problems?
- E9. How far do these equality policies in the company differ from the parent enterprise? Any problems and issues in aligning strategy?

### **Part F. Recruitment, Selection and Retention**

- F1. Who recruits employees for the company? (parent enterprise, the company, etc)
- F2. What recruitment channels and tool(s) do you use?
- F3. What are the main selection criteria in the company? (education, professional experience, language, cross-cultural awareness, personal network, etc)
- F4. What is the selection procedure in the company?
- F5. What kind of contracts do you offer to employees?  
What is the rationale for using different types of contracts? (permanent, fixed-term, temporary contract, etc)
- F6. Are there any difficulties in recruiting talent? Why?



- F7. Is there an employee retention problem? Do you have any retention policies and practices?
- F8. How far do these policies in the company differ from the parent enterprise? Any problems and issues in aligning strategy?

### **Part G. Performance Appraisal**

- G1. Do you have any performance appraisal systems? What appraisal approaches do you use for assessing employee performance? (competency model, 360 degree feedback, etc)
- G2. What assessment criteria are involved in an employee's performance appraisal? (fulfilment of predefined objectives, skills and competencies, teamwork-oriented attitude, initiative, creativity, communication, etc)
- G3. Is the appraisal system based on individual performance, group performance or both? What is the rationale for using different types of assessment approaches? (individualism, collectivism, power distance, etc)
- G4. Who assesses employees' performance? (production/line manager, HR manager or jointly, group consensus, expertise from the parent organisation, external consultant, etc)
- G5. How far do these policies in the company differ from the parent organisation? Any problems and issues in aligning strategy?

### **Part H. Training and Development**

- H1. What kinds of training provisions do you have in the company? (on-job training, external training, departmental training, internal exchange training, cross-organisational training, training employee in parent enterprise, university modules, etc)
- H2. What is the content of training programmes? (technical skills, management practices, foreign language, cross-cultural training, diversity training etc)
- H3. Who provides these training programmes? (expatriate staff, the company, external consultant, etc)
- H4. Do your employees have a formal career development scheme?
- H5. Are employees' wage increases, training and development plan and performance appraisal interlinked? And how?
- H6. How far do these policies in the company differ from the parent enterprise? Any problems and issues in aligning strategy?

### **Part I. Remuneration System**

- I1. What is your wage structure in the company? (basic wage, skill wage, position wage, incentive pay, performance related-pay, etc)
- I2. What factors determine your wage payment? (tenure, job-related, education/training qualification, professional experience, etc)
- I3. Do you have incentive pay reward? If you do, what does the incentive pay reward? (seniority, individual performance, group performance, etc)
- I4. What benefits do you have in the company? (pensions, basic medical insurance, unemployment insurance, child-bearing insurance, work-related injury insurance, housing funds, flexible work/family friendly policies, etc)
- I5. How far do these policies in the company differ from parent enterprise? Any problems and issues in aligning strategy?

### **Part J. HRM Overall**

- J1. Do you consider HRM function as a strategic business partner and is strongly involved in new investments, and launching of new product lines, or personnel administration or employee monitor control?
- J2. On a scale of 1 to 10 (10 being highest), how would you rate the effectiveness of HR policies and practices in the company?
- J3. What is (are) your challenge(s) in managing HRM in the company? (legislations, regulations, government intervention, cultural differences, etc)
- J4. Compared to other companies in the oil and gas industry, do you think your company is more attractive than others? Why?
- J5. To what extent are HR policies of the company similar or different to other transnational oil and gas corporations? Any issues and concerns?
- J6. To what extent are HR policies of the company similar or different to other TNCs? Any issues and concerns?

## Appendix 5

### Research interview with HR directors and managers and senior management officers (Chinese version)

中国石油公司人力资源管理研究-----与人力资源部门主管，人力资源部经理，以及中高层管理人员的采访问题

#### A. 简介

本采访问题是根据跨国石油公司（以下简称为“公司”）的组织结构和管理方式，针对公司人力资源部主管，人力资源部经理，以及中高层管理人员而设计。通过对您的采访，来了解和分析公司的人力资源管理政策。采访问题包括您的个人信息，公司组织管理和结构，以及人力资源管理系统。采访采用完全匿名的方式，您提供的信息和数据也将严格保密，仅用于人力资源管理研究项目中。

#### B. 您的个人信息

部 门		工 龄	
职 位		国 籍	
所在国家		民 族	
海外工作的地点及 工龄（选填）			
采访的时间和地点			

性别：☐ 男性 ☐ 女性

年龄：

☐ 25 岁以下 ☐ 26 至 35 岁 ☐ 36 至 45 岁 ☐ 46 至 55 岁 ☐ 56 至 59 岁  
☐ 60 岁以上

婚姻状况：

☐ 未婚 ☐ 已婚 ☐ 您有几个孩子？\_\_\_\_\_

教育程度：☐ 博士 ☐ 硕士 ☐ MBA ☐ 本科 ☐ 专科 ☐ 高中职  
☐ 中学或以下

劳动合同类型：

☐ 无固定期限 ☐ 固定期限，其期限为\_\_\_\_\_年  
☐ 完成一定工作为期限，其期限为\_\_\_\_\_年

#### C. 公司的发展历史和背景信息

- C1. 请简单介绍您的职业和文化背景。
- C2. 您在公司主要的工作是什么？
- C3. 您的工作向谁汇报？
- C4. 贵公司在中国的总部设立在哪里？为什么会选择哪里？（如石油天然气主要生产地，贸易环境，合理的经济政策，当地政府的支持等）
- C5. 您认为对公司而言，最重要的是什么？（如经济效益，社会责任等）
- C6. 请您是否可以简单概述公司开展海外项目的进程？
- C7. 在您母公司的国际化发展过程中，贵公司起到怎样的作用？（如参与母公司的国际化发展，保证长期稳定的经济收入等）

#### **D. 人力资源政策和措施从母公司的转移**

- D1. 谁来制订贵公司的人力资源政策和措施？（如由母公司，中国分公司，或子母公司联合制订？）
- D2. 贵公司人力资源政策和措施是如何形成的？（如采用母公司的统一的政策和措施，采用适合当地情况的政策和措施，或二者都有）为什么这样来制订公司人力资源政策和措施？（如长期的经济利益，开拓新的国际贸易，国际化进程，市场机会等）
- D3. 如果贵公司是从母公司引进人力资源政策和措施，贵公司是通过怎样的方法引进的？（如通过外派人员，外部的专业人员，把当地员工送到总部去培训等）从母公司引进人力资源政策和措施的原因是什么？贵公司是否有针对中国分公司的而制订特殊的人力资源政策？
- D4. 您认为哪些因素会影响人力资源政策和措施的引进？（如海外项目所在国家文化和体制，公司文化和结构等）会有怎样的影响？请您举例说明。
- D5. 您是否认为人力资源政策和措施会对公司在技术，生产力等的发展上起到积极的影响？为什么有或者没有？请详细说明。
- D6. 您贵公司对人力资源政策和措施制订的自主权有多少？

## **E. 跨文化管理**

- E1. 贵公司里是否有外籍员工？外籍员工的比例是多少？
- E2. 外籍员工在贵公司担任什么职位？（如中高管理层，高级技术人员等）
- E3. 谁来负责对外籍员工的管理？（母公司还是中国自公司）
- E4. 您认为在工作过程中，中国员工和外籍员工会因为文化背景的不同而引起矛盾吗？如果有，请您举例说明。
- E5. 您在研究和制订商业发展计划时，是否考虑国家文化对计划的影响？如果有，你会考虑哪些国家文化因素？
- E6. 在您看来，中国员工和外籍员工之间存在哪些主要的文化差异？（如中庸，人际关系，忠诚度，自我中心主义，团队意识等）这些文化差异对贵公司的人力资源政策和措施有影响吗？
- E8. 贵公司里有关于‘机会平等’的原则或政策吗？（如性别，种族，宗教，残疾平等）公司是否出现过此类问题？
- E9. 这些‘机会平等’的原则和措施和母公司的提倡的原则和措施一致吗？在执行过程中是否存在任何问题？

## **F. 员工的招聘、选拔和保留**

- F1. 贵公司的外籍员工是由谁来负责招聘？（如由公司招聘，海外公司自行招聘，还是两者都参与招聘等）
- F2. 招聘的渠道有哪些？招聘人才时会遇到哪些问题？
- F3. 人才招聘的主要标准有哪些？（如学历和（或）专业技术培训，工作经验，外语水平，社会能力，个人关系等）
- F4. 选拔的程序是怎样的？
- F5. 贵公司和员工签订劳动合同的类型有哪些？（如固定无限期，有限期合同，临时合同等）
- F6. 贵公司是否在招聘合适人才的过程中遇到问题？如果有，您认为其中的

原因是什么？

F7. 贵公司在人才保留方面是否遇到问题？公司有关于保留人才的政策吗？

F8. 贵公司人才招聘、选拔和保留的政策和措施和母公司的差异有多大？在和母公司的政策保持一致的过程中，是否出现过任何问题？

## **G. 绩效考核**

G1. 贵公司是否有绩效考核？如果有，贵公司采用何种绩效考核的方式？  
（如能力考核，360 度全方面考核，非正式绩效考核等）

G2. 绩效考核中的评估标准有哪些？（如达到事先预订目标，工作能力和专业技术，团队合作精神，创新精神，创造能力，沟通能力等）

G3. 绩效考核是依据个人表现，集体表现，还是两者都有？

G4. 谁会参与员工的绩效考核评估？（项目/部门经理，人力资源经理，或两方共同参与，集体评估，公司派出的专业人员，外部专业咨询人士等）

G5. 贵公司绩效考核政策和措施和母公司的差异有多大？在和母公司的政策保持一致的过程中，是否出现过任何问题？

## **H. 培训和职业发展**

H1. 贵公司采用何种培训方式和政策？（如上岗培训，部门培训，轮岗培训，在大学深造和（或）培训，在公司培训后返回海外项目等）

H2. 培训的项目有哪些？（如专业技术能力，管理能力，外语水平，多元文化理解能力等）

H3. 贵公司的培训由谁来安排和负责？（如公司人力资源部门，公司有相关技术或管理经验的员工，外部专业培训公司等）

H4. 贵公司对员工是否有正式的职业发展计划？其具体的内容有哪些？

H5. 员工培训和职业发展进度与其绩效考核是否有联系？如果有，是如何将两者联系起来的？

H6. 贵公司培训和职业发展的政策和措施和母公司的差异有多大？在和母公司的政策保持一致的过程中，是否出现过任何问题？

## I. 薪酬制度

- I1. 贵公司的薪酬制度的结构是怎样的？（如基本工资，岗位工资，技能工资，奖金，津贴等）
- I2. 影响员工工资涨幅的因素有哪些？（如工龄，工种，职务职称，学历和（或）专业技能等）
- I3. 奖金发放的依据有哪些？（如个人表现，集体表现，考核指标等）
- I4. 员工现享有的公司福利和保险有哪些？（如养老保险，基本医疗保险，失业保险，生育保险，工伤保险，住房基金，后勤支持和保障工作等）
- I5. 贵公司薪酬制度的政策和措施和母公司的差异有多大？在和母公司的政策保持一致的过程中，是否出现过任何问题？

## J. 总结

- J1. 您认为公司现行的人力资源政策和措施对公司的发展起到战略性的决定作用吗？
- J2. 如果 10 分是满分，您为公司的人力资源政策和措施打几分？
- J3. 您认为目前公司人力资源政策和措施面临最大的挑战是什么？
- J4. 与石油行业的其它公司比较，您认为公司在国内和国外工作求职市场上是否更具吸引力？
- J5. 贵公司人力资源管理政策和措施与其它国内外石油公司的政策有什么相似或不同？
- J6. 贵公司人力资源管理政策和措施与其他行业公司的政策有什么相似或不同？

## Appendix 6

### Research interview with production and line managers and non-managerial employees

#### Part A. Introduction

This interview is designed to explore HR policies and practices and cross-cultural differences in TNCs' affiliates in China ("the company" is used in the following questions, instead of "TNC's affiliates in China"). The HR transfer orientation and process, as well as the company background information and its HRM system will be investigated. **The information you provide will be only used for research purposes and will be strictly anonymous and confidential.**

#### Part B. Biographical Details

Organisation		Location	
Position		Tenure	
Nationality		Ethnicity	
Where and when have you worked abroad (if applicable)			
Time and date of the interview			

**Gender:** ☐ Male ☐ Female

**Age:** \_\_\_\_\_ or you can tick one of the following boxes:

☐ Under 25 ☐ 25-35 yrs ☐ 36-45 yrs ☐ 46-55 yrs ☐ 56-60 yrs ☐ Over 60yrs

**Marital status:**

☐ Single ☐ Married ☐ Separated ☐ Divorced ☐ Widowed

☐ Do you have any children? If you do, how many? \_\_\_\_\_

**Education:**

☐ PhD ☐ Masters Degree ☐ MBA ☐ Bachelor Degree ☐ HND

☐ Others, please specify \_\_\_\_\_

**Employment status:**

☐ Permanent ☐ Fixed-term contract for 1-5 years

☐ Temporary contract less than 1 year



### **Part C. Background Information of the Company**

- C1. Please tell me briefly about your professional and cultural background.
- C2. What is your main responsibility in the company?
- C3. How is your reporting structure?

### **Part D. Cross-cultural Awareness**

- D1. Are there any expatriates working in the company? What is the proportion of expatriates in the workforce?
- D2. What kind of position do expatriate have? (middle, senior management level, technical expertise, etc)
- D3. Do you think there are any cultural confrontations or tension among different nationals in the company? If you do, please give examples.
- D4. Do you consider cultural factors when you work in the company? If you do, what kind of cultural factors do you consider?
- D5. In your opinion, what are the main cultural differences between Chinese and other nationals? (harmony, interrelationship, loyalty, egalitarianism, group consensus, etc)

### **Part E. Recruitment, selection and retention**

- E1. Why did you choose to work for this company? (higher pay rate, better career path, professional training programmes, attractive image, organisational culture, etc )
- E2. How did you find the job advertisement for the company? (newspaper, employment agencies, head hunter, internet job search engine, the company's website, campus recruitment, personal network, etc)
- E3. What was your application procedure? (post CV, online application, telephone interview, interview, assessment centre, etc)
- E4. In you opinion, what kind of factors made you attain your current job successfully? (educational qualification, professional experience, language skills, cross-cultural awareness, personal network, etc)
- E5. Do you know about any retention policies and practices in the company?

## **Part F. Performance Appraisal**

- F1. How has your job performance been assessed? (competency model, 360 degree feedback, etc)
- F2. What assessment criteria are involved in your performance appraisal? (fulfilment of predefined objectives, skills and competencies, teamwork-oriented attitude, initiative, creativity, communication, etc)
- F3. Is the appraisal system based on individual performance, group performance or both?
- F4. Who assesses your job performance? (production/line manager, HR manager or jointly, group consensus, expertise from parent enterprise, external consultant, etc)

## **Part G. Training and Development**

- G1. What kind of training provisions do you have in the company? (on-job training, external training, departmental training, internal exchange training, cross-organisational training, training employee in parent enterprise, university modules, etc)
- G2. What is the content of training programmes? (technical skills, management practices, foreign language, cross-cultural training, diversity training, etc)
- G3. Who provides these training programmes? (expatriate staff, the company, external consultant, etc)
- G4. Do you have a formal career development scheme?

## **Part H. Remuneration System**

- H1. What is your wage structure in the company? (basic wage, skilled wage, position wage, incentive pay, performance related-pay, etc)
- H2. What factors determine your wage payment? (tenure, job-related, education/training qualification, professional experience, etc)
- H3. Do you have an incentive pay reward? If you do, what does the incentive pay reward? (seniority, individual performance, group performance, etc)
- H4. What benefits do you have in the company? (pensions, basic medical insurance, unemployment insurance, child-bearing insurance, work-related injury insurance, housing funds, flexible work/family friendly policies, etc)

H5. Are your wage increases, training and development plan and performance appraisal interlinked? And how?

**Part I. Overall**

- I1. Compared to other companies in the oil and gas industry, do you think your company is more attractive than others? Why?
- I2. Do you think HR policies and practice of the company can have a positive impact in technology, productivity and labour efficiency? Any problems or issues? Please give examples.
- I3. On a scale of 1 to 10 (10 being highest), how would you rate the effectiveness of HR policies and practices in the company?
- I4. If you could change one thing about HR in your company, what would it be?

## Appendix 7

### Research interview with production and line managers, and non-managerial employees (Chinese version)

人力资源管理研究——与项目经理，部门经理，和其他非管理层工作人员的采访问题

#### 1. 简介

本采访问题是根据跨国石油公司（以下简称为“公司”）的组织结构和管理方式，针对公司人力资源部主管，人力资源部经理，以及中高层管理人员而设计。通过对您的采访，来了解和分析贵公司的人力资源管理政策。采访问题包括您的个人信息，公司组织管理和结构，以及人力资源管理系统。采访采用完全匿名的方式，您提供的信息和数据也将严格保密，仅用于人力资源管理研究项目中。

#### B. 您的个人信息

部 门		工 龄	
职 位		国 籍	
所在国家		民 族	
海外工作的地点及工 龄（选填）			
采访的时间和地点			

性别：☐ 男性 ☐ 女性

年龄：

☐ 25 岁以下 ☐ 26 至 35 岁 ☐ 36 至 45 岁 ☐ 46 至 55 岁 ☐ 56 至 59 岁 ☐ 60 岁以上

婚姻状况：

☐ 未婚 ☐ 已婚 ☐ 您有几个孩子？\_\_\_\_\_

教育程度：☐ 博士 ☐ 硕士 ☐ MBA ☐ 本科 ☐ 专科 ☐ 高中职 ☐ 中学或以下

**劳动合同类型:**

☐无固定期限      ☐固定期限，其期限为\_\_\_\_年

☐完成一定工作为期限，其期限为\_\_\_\_年

**C. 公司的发展历史和背景信息**

C1. 请您简单介绍一下您的文化和工作背景。

C2. 您在公司主要的职能和工作是什么？

C3. 您的工作向谁汇报？

**D. 跨文化意识**

D1. 贵公司里是否有外籍员工？外籍员工的比例是多少？

D2. 外籍员工在贵公司担任什么职位？（如中，高层管理，高级技术人员等）

D3. 您认为在工作过程中，中国员工和外籍员工会因为文化背景的不同而引起矛盾吗？如果有，请您举例说明。

D4. 您在工作时，是否考虑国家文化差异对工作的影响？如果有，你会考虑哪些文化因素？

D5. 在您看来，中国员工和外籍员工之间存在哪些主要的文化差异？（如中庸，人际关系，忠诚度，自我中心主义，团队意识等）这些文化差异对贵公司的人力资源政策和措施有影响吗？

**E. 招聘、选拔和稳定**

E1. 您当时为什么选择应聘贵公司呢？（公司的名气，文化，职业生涯发展，积累工作经验，高薪，通过个人关系介绍等）

E2. 您申请工作时，是通过什么渠道得到公司招聘的信息？（如报纸，杂志中的工作招聘，招聘中介，猎头公司，网上招聘信息搜索，公司官方网站，校园招聘等）

E3. 您当时应聘的程序是怎样的？

E4. 在您看来，当时您优于其它招聘候选人，成功得到在公司工作机会的主

要原因是什么？（如学历和（或者）职业技能，工作经验，外语水平，个人关系等）

E5. 贵公司有关于稳定人才的政策和措施吗？

## **F. 绩效考核**

F1. 贵公司采用何种绩效考核方式？（如能力考核，360 度全方面考核，非正式绩效考核等）

F2. 绩效考核中的评估标准有哪些？（如达到事先预订目标，工作能力和专业技术，团队合作精神，创新精神，创造能力，沟通能力等）

F3. 绩效考核是依据个人表现，集体表现，还是两者都有？

F4. 谁会参与您的绩效考核评估？（项目/部门经理，人力资源经理，或两方共同参与，集体评估，公司派出的专业人员，外部专业咨询人士等）

## **G. 培训和职业发展**

G1. 贵公司采用何种培训方式和政策？（如上岗培训，部门培训，轮岗培训，在大学深造和（或）培训，在公司培训后返回海外项目等）

G2. 培训的项目有哪些？（如专业技术能力，管理能力，外语水平，多元文化理解能力等）

G3. 培训由谁来安排和负责？（如公司人力资源部门，公司有相关技术或管理经验的员工，外部专业培训公司等）

G4. 您在公司是否有正式的职业发展计划？其具体的内容有哪些？

## **H. 薪酬制度体系**

H1. 贵公司的薪酬制度的结构是怎样的？（如基本工资，岗位工资，技能工资，奖金，津贴等）

H2. 影响您工资涨幅的因素有哪些？（如工龄，工种，职务职称，学历和（或）专业技能等）

H3. 奖金发放的依据有哪些？（如个人表现，集体表现，考核指标等）

- H4. 您现享有的公司福利和保险有哪些？（如养老保险，基本医疗保险，失业保险，生育保险，工伤保险，住房基金，后勤支持和保障工作等）
- H5. 您薪酬的涨幅是与绩效考核和培训的结果有联系吗？

## I. 总结

- I1. 与石油行业的其它公司比较，您认为公司在国内和国外工作求职市场上是否更具吸引力？
- I2. 您认为公司现行的人力资源政策和措施对公司的发展起到战略性的决定作用吗？
- I3. 如果 10 分是满分，您为公司的人力资源政策和措施打几分？
- I4. 您认为公司的哪一项人力资源政策或措施是最需要改变的？

## Appendix 8

### Interview participants' details

Western Transnational Corporations (WTNCs)									
Name	Title	Location	Tenure	Nationality	Ethnicity	Gender	Age	Marital status	Higher Education
Gernard	Executive HR Vice President	Hague, Netherlands	18 yrs	Dutch	Dutch	Male	45 yrs	Married with 1 child	MBA
Paul	HR Vice President	London, UK	12 yrs	British	British	Male	38 yrs	Married with 1 child	Master
Jiang	HR Director	Beijing	14 yrs	Chinese	Chinese	Female	40 yrs	Married with 1 child	Bachelor
Yao*	HR Manager	Beijing	10 months	Chinese	Chinese	Female	36 yrs	Married with 1 child	Master
Lu*	HR Advisor	Beijing	8 yrs	Chinese	Chinese	Female	31 yrs	Married with 1 child	Bachelor
Guo*	HR Manager	Beijing	5 yrs	Chinese	Chinese	Female	29 yrs	Married with no children	Bachelor
Ying*	Director of New Business Development	Beijing	10 yrs	Chinese	Chinese	Male	47 yrs	Married with 1 child	MBA
Shang*	Manager of New Business Development	Beijing	7 yrs	Australian	Chinese	Male	43 yrs	Married with 1 child	PhD
Patrick	Supply Chain Manager	Beijing	25 yrs	Malaysian	Chinese	Male	53 yrs	Married with 3 children	Bachelor
Feng	Finance Manager	Beijing	6 yrs	Chinese	Chinese	Male	36 yrs	Married with 1 child	MBA
Jun	Procurement Officer in Supply Chain Department	Beijing	2 yrs	Chinese	Chinese	Male	37 yrs	Married with 1 child	Bachelor
Li	New Business Development Officer	Beijing	4 yrs	Chinese	Chinese	Female	39 yrs	Married with 1 child	Master
Amal *	Petroleum Engineer	Aberdeen, UK	3 yrs	Indian	Indian	Male	30 yrs	Single	Master



## Appendix 8

### Interview participants' details (Continued)

Western Transnational oil and gas Corporations (WTNCs)									
Name	Title	Location	Tenure	Nationality	Ethnicity	Gender	Age	Marital status	Higher Education
Ran	Personnel Manager	Beijing	13 yrs	American	Chinese	Male	38 yrs	Married with 1 child	Bachelor
Wan	Business Development Manager	Beijing	7 yrs	Chinese	Chinese	Male	40 yrs	Married with 2 children	PhD
Qiang	Manager of Data System Department	Beijing	12 yrs	American	Chinese	Male	42 yrs	Married with 2 children	PhD
Lian	Sales and Marketing Manager	Beijing	12 yrs	Malaysian	Chinese	Male	35 yrs	Married with 1 child	Bachelor
Ping*	Legal Manager	Beijing	2 yrs	Chinese	Chinese	Male	34 yrs	Married with 1 child	Master
Cheng	Principle Petroleum Engineer	Beijing	7 yrs	Chinese	Chinese	Male	37 yrs	Married with 1 child	PhD
Xiang	Petroleum Engineer	Beijing	8 yrs	Chinese	Chinese	Male	38 yrs	Married with 1 child	Bachelor
Gang	Technical Advisor	Beijing	3 yrs	Chinese	Chinese	Male	38 yrs	Married with 1 child	PhD
Dazhi	Petroleum Engineer	Beijing	1 yr	Chinese	Chinese	Male	36 yrs	Married with 1 child	Bachelor
Ming*	Drilling Engineer	Beijing	2 yrs	Chinese	Chinese	Male	35 yrs	Married with 1 child	Master
Zheng	Reservoir Engineer	Beijing	11 yrs	Chinese	Chinese	Male	37 yrs	Married with 1 child	PhD
Guanqun	Reservoir Engineer	Beijing	2 yrs	Chinese	Chinese	Male	36 yrs	Married with 1 child	PhD
Hua	Petroleum Engineer	Beijing	2 yrs	Chinese	Chinese	Female	29 yrs	Married with no children	PhD
Weng	Information Support Officer	Beijing	2 yrs	Chinese	Chinese	Female	41 yrs	Married with 1 child	Bachelor

## Appendix 8

### Interview participants' details (Continued)

Western Transnational oil and gas Corporations (WTNCs)									
Name	Title	Location	Tenure	Nationality	Ethnicity	Gender	Age	Marital status	Higher Education
Ninglin	IT Engineer	Beijing	7 yrs	Chinese	Chinese	Female	29 yrs	Married with no children	Bachelor
Jing*	Petroleum Engineer	Beijing	5 yrs	Chinese	Chinese	Female	33 yrs	Single	Master
Jian	Petroleum Engineer	Beijing	1 yr	Chinese	Chinese	Female	27 yrs	Single	Master
Anne	Petroleum Engineer	Beijing	5 yrs	Indonesian	Indonesian	Female	35 yrs	Single	Bachelor
Fang	HR Manager	Beijing	1 yr	Chinese	Chinese	Female	38 yrs	Married with 1 child	Master
Bing	Project Leader	Beijing	5 yrs	American	Chinese	Male	42 yrs	Married with 2 children	PhD
Thomas	Chief Petroleum Engineer	Beijing	32 yrs	American	American	Male	55 yrs	Married with 3 children	Bachelor
Jianping	Reservoir Engineer	Beijing	2 yrs	Chinese	Chinese	Male	36 yrs	Married with 1 child	PhD
Sarah	Financial Analyst	Beijing	3 yrs	British	Chinese	Female	28 yrs	Single	Bachelor
Xiao	HR Director	Beijing	2 yrs	Chinese	Chinese	Female	40 yrs	Married with 1 child	Master
Chun	Team Lead	Beijing	12 yrs	Chinese	Chinese	Male	44 yrs	Married with 2 children	PhD
Xing	Commercial Analyst	Beijing	2 yrs	Chinese	Chinese	Female	37 yrs	Married with no children	Bachelor
Qingli	Business Development Officer	Beijing	1.5 yrs	Chinese	Chinese	Female	29 yrs	Married with no children	Bachelor
Qiong	Office Administrator	Beijing	1 yr	Chinese	Chinese	Female	26 yrs	Single	Bachelor

## Appendix 8

### Interview participants' details (Continued)

Western Transnational oil and gas Corporations (WTNCs)									
Name	Title	Location	Tenure	Nationality	Ethnicity	Gender	Age	Marital status	Higher Education
Yangliu	Administrator Manager	Beijing	2 yrs	Chinese	Chinese	Female	32 yrs	Married with 1 child	Master
Liang	Senior Manager of Business Development	Beijing	1yr	Chinese	Chinese	Male	38 yrs	Married with 1 child	PhD
Chang	Engineering Consultant	Beijing	6 yrs	Chinese	Chinese	Male	51 yrs	Married with 1 child	Technical School diploma
Yang	Drilling supervisor	Beijing	1.5 yrs	Chinese	Chinese	Male	38 yrs	Married with 1 child	Bachelor
Fuling	Drilling Manager	Beijing	1 yr	Chinese	Chinese	Male	35 yrs	Married with 1 child	Master
You	Petroleum Engineer	Beijing	5 yrs	Chinese	Chinese	Male	28 yrs	Single	Bachelor
Yaowei	Reservoir Engineer	Beijing	2.5 yrs	Chinese	Chinese	Female	38 yrs	Married with 1 child	Master
Alok	Petroleum Engineer	London, UK	3 yrs	Indian	Indian	Male	31 yrs	Married with no children	MBA
Yan*	Director of HR and Administration	Beijing	1 yr	Chinese	Chinese	Female	39 yrs	Married with 1 child	Bachelor
Liweng*	Senior Mechanical Engineer	Beijing	5 yrs	Chinese	Chinese	Female	36 yrs	Married with 1 child	Bachelor
Duncan*	HR Director	Edinburgh, UK	5 yrs	British	British	Male	35 yrs	Married with 2 children	Bachelor
Claire	HR manager	Beijing	1 yr	Indian	Indian	Female	44 yrs	Single	Master
Gary*	Country Manager	Beijing	5 yrs	British	British	Male	38 yrs	Married with 1 child	Bachelor
Fan	Sales and Marketing Manager	Beijing	2 yrs	Chinese	Chinese	Male	35 yrs	Married with 1 child	Master

## Appendix 8

### Interview participants' details (Continued)

Western Transnational oil and gas Corporations (WTNCs)									
Name	Title	Location	Tenure	Nationality	Ethnicity	Gender	Age	Marital status	Higher Education
Wengxin	Office Administrator	Beijing	1.5 yrs	Chinese	Chinese	Female	30 yrs	Single with no children	Bachelor
Juan*	Vice President	Beijing	11 months	British	Chinese	Female	35 yrs	Single with no children	Bachelor
John*	Principle of Energy	Beijing	3 yrs	German	German	Male	38 yrs	Married with 1 child	Master
Lizhen	Office Manage	Beijing	2.5 yrs	Chinese	Chinese	Female	36 yrs	Married with 1 child	Bachelor
Qing	Chief Geophysicist	Beijing	8 yrs	Canadian	Chinese	Male	45 yrs	Married with 1 child	Master
Ling	Regional Manager	Beijing	8 yrs	Chinese	Chinese	Male	33 yrs	Married with 1 child	Bachelor
Miao	Country Manager	Beijing	8 yrs	Chinese	Chinese	Male	46 yrs	Married with 1 child	Bachelor
Huang	Chief Geophysicist	Beijing	2 yrs	Canadian	Chinese	Male	45 yrs	Married with 1 child	PhD
Jianjun	Project Manager	Beijing	1yr	Canadian	Chinese	Male	49 yrs	Married with 1 child	Master
Michael*	Business Partner	Beijing	8 yrs	American	American	Male	50 yrs	Married with 2 child	Bachelor
Chenxi*	Senior Vice President	Beijing	3 yrs	British	Chinese	Male	45 yrs	Married with 2 children	PhD

## Appendix 8

### Interview participants' details (Continued)

Chinese State-owned Enterprises (CSOEs)									
Name	Title	Location	Tenure	Nationality	Ethnicity	Gender	Age	Marital status	Higher Education
Xuan*	HR Manager	Beijing	15 yrs	Chinese	Chinese	Female	38 yrs	Married with 1 child	Bachelor
Hong*	HR Manager	Beijing	11 yrs	Chinese	Chinese	Male	42 yrs	Married with 1 child	Bachelor
Zeng*	Senior HR Officer	Beijing	8 yrs	Chinese	Chinese	Male	36 yrs	Married with 1 child	Bachelor
Bo	HR Advisor	Beijing	4 yrs	Chinese	Chinese	Male	30 yrs	Married with no children	MBA
Lifeng	HR Officer	Beijing	5 yrs	Chinese	Chinese	Male	33 yrs	Married with 1 child	Master
Nan*	Project Manager	Beijing	38 yrs	Chinese	Chinese	Male	58 yrs	Married with 1 child	Bachelor
Yiran*	Manager of International department	Beijing	10 yrs	Chinese	Chinese	Male	42 yrs	Married with 1 child	Master
Liangyou	Geology Engineer	Daqing, China	5 yrs	Chinese	Chinese	Male	28 yrs	Single	Bachelor
Yansha*	A group interview with five HR professionals in Beijing. Five of them were all male Chinese. The average tenure and age of these five participants were 12 years and 35 years respectively.								
Sheng*	Country Manager	Beijing	37 yrs	Chinese	Chinese	Male	51 yrs	Married with 1 child	Bachelor

